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U.S. Talks On Budget Fall Apart

Both Sides Call Accord Unlikely

By Howell Raines New York Times Service

WASHINGTON - Budget negotiations between President Reagan and Democratic congressional leaders have fallen apart, and participants in a three-hour meeting in the Capitol said there is almost no chance that the budget deadlock can be resolved through a bipartisar compromise.

House Speaker Thomas P. O'Neill Jr. said the negotiations Wednesday failed because of a basic philosophical disagreement" that emerged between him and the president.

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Mr. Reagan was to go on television Thursday night to lay out his side of the controversy. Democrats have asked the networks for equal

The task of putting together a budget for next year now falls to the leaders and committees of Congress. A result, according to administration officials, is likely to be more uncertainty than ever over the size of the deficit in the next

Wall Street responded pessimistically to the news, though stock analysts said they believed that the impact would be short-term. The Dow Jones industrial average closed off 7.70 points at 844.94. [Details, Page 13.]

The collapse of Wednesday's talks appeared to be an overture

Economists say the failure of the budget talks harts prospects for a sustained recovery. Page 3.

for an election-year battle in which the outcome of the budget contest could help determine control of

The Senate majority leader, Howard H. Baker Jr. of Tennessee, said that Mr. Reagan offered a that month delay in the effective date of the 1983 income tax cut in an effort to reach a compromise Sen. Baker and other Republican leaders said that Mr. Reagan, by altering his heretofore absolute opposition to any change in his tax program, had walked "the extra mile" to avoid a partisan battle over the budget for the fiscal year

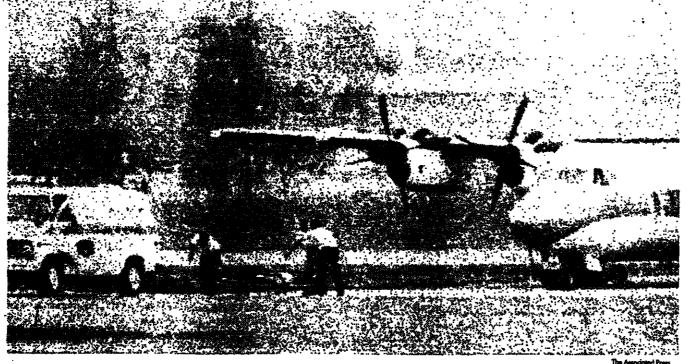
sisted that Mr. Reagan agreed to delay the tax cut for three months only if they agreed to a three-month delay in the cost-of-living increases in 1983 in Social Security and other benefit programs that the Democrats want to protect. .

The partisan nature of the year's first head-to-head budget session between Mr. Reagan and Rep. O'Neill was evident from the outset, as Rep. O'Neill opened the meeting by protesting the seating plan that placed him next to the ocesident.

Changing Sides

Rep. O'Neill's aides said the Massachusetts Democrat moved to the opposite side of the table because that is the normal seating order in a bargaining session. Republican congressional aides countered that Rep. O'Neill had to

be closer to two fellow Democrats in attendance, Rep. Jim Wright of Texas, the House majority leader, and Rep. Richard Bolling of Miss-ouri, the chairman of the Rules (Continued on Page 3, Col. 1)



HONDURAN HIJACKING — A man is taken to an ambulance after being released by hijackers in Honduras. He was The hijackers demanded the release of 32 prisoners. Page 2.

U.S. Aide Suggests Summit Without Brezhnev

By Lou Cannon Washington Post Service

WASHINGTON - A White House official has suggested pub-licly for the first time that the United States is willing to engage in a summit meeting with a Soviet leader other than alling President

Leonid I. Brezhnev.
Norman Bailey, director of planning for the National Security council, said Wednesday it would be "entirely appropriate" for President Reagan to meet with Premier Nikolai A. Tikhonov if Mr. Brezhnev, who is 75, is too ill.

Mr. Bailey said, "The Soviet leadership is in considerable disar-ray. Brezinney is quite ill, and this tuation could continue for some time. There are a number of candidates to succeed him and no obvi-"For all practical purposes,

there has been a collective leader ship in the Soviet Union since Stalin died; and this has become more "So it may not be realistic for

president to meet with Bre-

zhmev. But it would be entirely ap-propriate for him to meet with someone like Tikhonov, who is remier and head of government. "He's not considered a likely successor to Brezhnev and therefore would not be perceived as

The bluntness of Mr. Bailey's re-

marks reportedly disturbed highlevel White House officials, including national security adviser Wil-liam P. Clark. Until Wednesday, administration officials had deliberately refrained from publicly commenting on Mr. Brezhnev's ill-

White House deputy press secretary M. Speakes, commenting on Mr. Bailey's statements, said, "He was giving his own views and not necessarily those of the administration," Mr. Bailey said later in the day

that he was speculating frankly about the course a summit might take. But he added that the Russians were "very anxious" to have a summit and were being re-strained only by Mr. Brezinev's "At this point, we're throwing

out signals saying that we should have a summit, and they're throwrezhnev's illness is the reason.

Mr. Bailey cited President Lyndon B. Johnson's meeting with Premier Alexei N. Kosygin in 1968 as a precedent for a presidential meeting with the Soviet head of government. Although Kosygin held the same position as does Mr. said," but the official also ex-Tikhonov, he was a far more powerful figure in the Soviet hierarchy.

Mr. Bailey's comments reflected widely held view within the administration that a summit will be held when the question of Mr. Bre-zhnev's availability is resolved. Mr. Bailey said, "I'm betting on a sum-

On April 5, Mr. Reagan invited Mr. Brezhnev to meet him in New York in June. Mr. Reagan said he would go to New York to address a United Nations conference on disarmament and invited Mr. Brezhnev to do the same.

Proposal Rejected Administration spokesmen de-

clined to describe any such meeting as a summit. Mr. Brezhnev rejected the proposal, suggesting instead a fall summit in Europe.

At the time he issued his invitation, Mr. Reagan was careful to observe protocol, saving "we have zhnev is ill. Privately, however, administration officials have described Mr. Brezhnev's illness as the major barrier to an immediate

One administration official said Mr. Bailey "even in speculation said more than he should have

ssed the view that a summit is likely this year.

U.S. Plans Invitation to Talks WASHINGTON (AP) - Declaring that "everyone would lose" in a nuclear war, Secretary of De-fense Caspar W. Weinberger told

Congress on Thursday that President Reagan would invite the Soviet Union to start strategic arms reduction talks "in the near future." Mr. Weinberger made the statement before the Senate Foreign Relations Committee, which began a series of hearings on proposals to

freeze nuclear arms or to revive the never-ratified SALT-2 agreement between the United States and the Soviet Union to limit strategic bombers and intercontinental ballistic missiles. Concern has been expressed that the Reagan administration has not moved fast enough on

arms reductions negotiations, that we have been wasting time," Mr. Weinberger said. "Actually, we have gained time." He said the administration had done so by initiating its "long-term program to improve the stability and security of our nuclear deterrent force, thus providing the only basis for negoti-ations that can lead to real reduc-

"There is little basis for optimism, but we remain in touch with both parties," the statement added. Mr. Speakes said the statement was issued on the basis of reports received by the White House from the State Department, where Secretary of State Alexander M. Haig Jr. continued his efforts to aid in a He said Mr. Haig had briefed President Reagan on the simuation Thursday morning as Britain's battle

fleet approached the Falklands, which were seized by Argentina on April 2.
"We still seek a diplomatic solution," Mr. Speakes

Buenos Aires Official Sees

Useful Points in U.S. Plan

BUENOS AIRES — New U.S. proposals on the

Falkland Islands contain useful elements and have

not been rejected, the Argentine interior minister, Al-

He rejected any compromise on Argentine claims to the islands but added, "We are open to the possi-bility of continuing negotiations ... even on the ba-

But the Argentine news agency Telam said that Argentina had told the United States that its latest

proposals for resolving the crisis were unsatisfactory and required further clarification.

In a report from Washington, the agency said that the Argentine reply had been given to Thomas O. Enders, U.S. undersecretary of state for inter-

In Washington, the White House said Thursday that it had little basis for optimism that the dispute

between Argentina and Britain could be settled

peacefully. Larry M. Speakes, a deputy press secre-tary, read a statement that said, "The situation re-mains very serious." He said there had been "no movement" toward a diplomatic solution.

We Remain in Touch

fredo Saint Jean, said Thursday.

sis of this proposal."

said. "We remain at the call of both parties to be helpful in any fashion we can.'

Washington's latest ideas on the dispute have not been made public officially, but U.S. officials said they were based on earlier calls for Argentina to withdraw its troops from the islands and for Britain to relieve its naval pressure on Argentina.

A British fleet was taking up battle stations off the Falklands to impose a total air and sea blockade around the islands Friday. About 10,000 Argentine troops are stationed on the islands.

Argentines Divided

The newspaper La Nacion said the government had been divided and that a working group led by Gen. Saint Jean had recommended rejection of the U.S. plan. Another committee composed of members of Argentina's mission to the Organization of American States "had not been so categoric," it said. The Buenos Aires daily Clarin said the OAS group included Foreign Minister Nicanor Costa Mendez, who held talks in Washington with Mr. Haig.

The junta announced Wednesday that an assault near the Malvinas, the Spanish name for the 200-

(Continued on Page 2, Col. 1)

'Persuasion' Won't Work, British Parliament Is Told

Argentina Holds the Key

To Peace, Thatcher Says

By R.W. Apple Jr.
New York Times Service

LONDON - As the dispute over the Falkland Islands moved toward possible confrontation, Prime Minister Margaret Thatcher asserted Thursday that "the key to peace is in the hands of the Argentine

government."

Mrs. Thatcher opened an emergency debate in the House of Commons, the fourth since Argentina invaded the islands four weeks ago, with a reaffirmation of her view that "gentle persuasion is not going to make the Argentine government give up what it

She rejected, for the moment at least, demands from the opposition that she turn to the United Nations or to the International Court of Justice in an attempt to avoid war.

The prime minister's tone sounded to many members of Parliament slightly less intransigent than on other recent occasions. She was noncommittal, rather than hostile, in discussing the peace proposals of U.S. Secretary of State Alexander M. Haig Jr., and she did

Europe's initial support for Britain seems to be weakening as the possibility of war rises. Page 2. U.S. companies have become increasingly concerned about their operations in Argentina. Page 13.

not warn the Argentines that time for diplomacy was running out.

But she reminded the House that in less than a day a total air and sea blockade would be put into effect by the British naval task force in a 200-mile (320cilometer) zone around the Falklands. The fighters helicopters, ships and submarines of the flotilla will begin enforcing the "no-go" zone Friday.

Any attempt by Argentine ships or planes to challenge the blockade could touch off a full-scale conflict, as could British landings in the Falklands, which are still expected sometime this weekend.

British officials were waiting for the Argentine junta's response to Mr. Haig's proposals. It has been reported from Washington and is generally believed in political circles in London that Mrs. Thatcher agreed to delay any new military action for three days, ending Friday, to give the junta time to weigh the proposals. She challenged President Leopoldo Galtieri to accept them .

"There can be no doubt where the intransigence lies in this matter," the prime minister declared. "The key to peace is in the hands of the Argentine government. The responsibility is theirs."

- According to Foreign Office sources, the government would continue to seek a negotiated settlement, possibly through the United Nations, even if fighting broke out in or around the Falklands. But Mrs. Thatcher told the Labor Party, which has called for greater United Nations involvement immediately, that the time was not ripe for UN action.

She said Secretary-General Javier Pérez de Cuellar

still wanted to wait until Mr. Haig's initiative had THE ITS COMPSE Michael Foot, the opposition leader, again clashed

(Continued on Page 2, Col. 1)

Israeli Troops Kill 2 Arabs on the West Bank

By William Claibome Washington Past Service

JERUSALEM - A new cycle of violence empted in the occupied West Bank Thursday as Israeli troops opened fire on Arab youths, killing two students and wounding others in four towns. A third youth died in a hospital

of a gunshot wound he received April 12, bringing to 15 the total number of protesters reported by Arab sources to have been killed by troops or settlers since wide-spread protests began March 18. An Arab news agency, the Palestine Press Services, said that in addition to the 15 killed, it had a list of more than 200 protesters wounded in clashes with Israeli se-

curity forces since March 18. An army spokesman said nine youths have been killed by gunfire since March 18, and that two soldiers have died, one stabbed to death in Jenin and another killed by a hand grenade in the Gaza Strip. He said that 90 Arabs had been wounded by gunfire, and that 33 soldiers and 16 civilians had been injured in rock-throwing

The wide disparity in the numbers of Arabs wounded has been attributed, in part, by both Israeli military sources and Palestinians to a reluctance by youths lightly wounded in clashes to seek hospitalization out of fear of interrogation by the security forces.

The clashes Thursday underscored the incendiary nature of the violence in the West Bank, where reports of confrontations travel fast and sometimes fuel further vi-

The trouble began about 7:30 a.m in the small grape-growing town of Halboul, on the outskirts of Hebron, when students on their way to classes raised an Palestinian flag, set fire to gasoline-soaked

tires and erected crude rock barri-

cades across the Jerusalem-Hebron Arab sources said that when an

army patrol arrived, the youths retreated to the courtyard of a nearby girls' elementary school, where they threw rocks and bottles at the Israeli soldiers.

The Israeli authorities said the

soldiers first tried to disperse the crowd with tear gas and fired warning shots in the air, but that when the rock-throwing endangered the troops, they fired into the crowd, aiming at the legs of the students.

One student, Jamal Mousa Shalaldeh, 17, of the village of Sair, was shot in the throat and died on the way to a hospital. The army command said two other students were shot, but Palestinian sources said 15 students were shot, most of whom sought treatment for light gunshot wounds at private

Within an hour of Mr. Shalal-

deh's death, word of the shootings

reached his home village of Sair, near Hebron, and demonstrations erupted there, causing security forces to impose a curfew, military sources said. The army command said that at

about 10:30 a.m. the curfew was broken, and an army patrol clashed with youths, opening fire and killing Abdel Rahaim Abdel Jaradat, 17. Haihoul and Sair both remained under curfey Thursday. Soon after Mr. Jaradat was killed, scores of youths took to the streets in Hebron, throwing rocks at army vehicles and cars driven by Jewish settlers until they were dispersed by troops firing warning shots. In Bethlehem, about 15 miles (24 kilometers) to the north, Arab youths attempted to storm the police station in Manger Square, opposite the Church of the Nativity, and were dispersed by tear gas and warning shots, the command said.

Argentine troops stand by their tents in a bivouac area in the Falkland Islands.

High U.S. Interest Rates Breed Rising Tension

By Carl Gewirtz

International Herald Tribune PARIS - Unless U.S. interest Your Office of rates fall substantially before the Versailles economic summit, observers are warning that the June 4-6 meeting risks marking the beginning of a fundamental cleavage hetween the United States and its Enropean allies. The key issue is the high level of

NEWS ANALYSIS

U.S. interest rates. And the longer they persist, the more divisive they

Europeans wholeheartedly support U.S. policy objectives aimed at fighting inflation, Lamberto Dini, director-general of the Bank of Italy, said at a seminar orga-Paris on Wednesday. That policy, nized by the Atlantic Institute in damental contribution to the wellbeing of the world economy."

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But, he added, "the period of adjustment is too long," keeping interest rates and the dollar too high and "delaying European recovery in those countries that can

covery in afford it." currently are offering assurances that they are unhappy with persistently his persistently high rates, that the U.S. economy — starting with the Europeans are forced to minimize

industries — is suffering because of those rates, and that officials are at a loss to explain why the rates remain so high in light of declines in the U.S. inflation rate. Washington takes great pride in

the rapid deceleration of inflation, and officials believe that interest rates ultimately — indeed, immi-nently — will reflect this new reality and fall like a stone. The problem is that Europe can-

not wait. The essential difficulty is the impact these high U.S. interest rates have on the foreign exchange market, pulling interest-sensitive money out of other currencies into the dollar and driving up the dollar's exchange rate or, looked at the other way around, driving down the value of the European currencies.

The expensive dollar raises all kinds of import costs, not the least the price of oil, which, like most raw materials, is billed in dollars. With a fairly high degree of salary indexation to price indexes in most European countries, these increased costs get quickly translated into higher domestic production costs. As a result, domestic growth

weakens. The growth of exports resulting from a depreciating currency occurs too slowly to offset the downward pressures. To prevent import

depressed housing and automobile depreciation of their currencies by keeping their own interest rates high, which depresses domestic economic activity and fuels memplovment A secondary, but also import-

ant, aspect of the high dollar interest rates is the added burden put on all countries who have large debts in dollars - which further

The dollar plunged Thursday, particularly against the Deutsche mark, in hectic trading. Page 13.

depresses the potential for economic growth. A reduction in U.S. interest

rates would allow Europe to reduce its rates, and help spur domestic growth, without fear about the impact on the foreign exchange But U.S. rates are not falling, in

large part because of the concern in financial markets about the size of the U.S. budget deficit in the coming few years. In effect, the markets do not believe that inflation will remain contained or interest rates able to remain low if Washington persists in running deficits in the area of \$100 billion a year in fiscal 1983-85, as many experts project. Without getting into the rights or wrongs of the budget planning.

Europe is insisting that for its own

domestic economic reasons it must

reduce its unnecessarily high interest rates, and that to do this while U.S. rates remain high it needs some protection on the foreign exchange market.

Put simply, if Europe acts alone to cut interest rates, the exchange rates will weaken further. If subse quently U.S. interest rates do not fall, if the administration has got it wrong and, as the Salomon Brothers economist Henry Kaufman warns, U.S. rates not only stay high but even rise substantially, Europe's exchange rates would stand exposed to a whirlwind depreciation.

Thus, Europe is insisting that Washington give up its benign neglect of the foreign exchange market and undertake with Europe a policy of joint intervention to smooth out exchange rate fluctua-Europe is not seeking to peg ex-

change rates to a fixed value — a policy that died when the Bretton Woods system of fixed exchange rates was abandoned in 1973. But it wants Washington to join in the expense of keeping rate move-For example, between President Reagan's inauguration in late January, 1981, and the following Aug-

ust, the Deutsche mark appreciat-

ed 28 percent against the dollar.

Between August and November,

the mark depreciated 15 percent,

(Continued on Page 15, Col. 4)

Russians Accused

The Reagan administration has accused the Soviet Union of spurring a worldwide race to sell arms to the Third World. Page 3.

INSIDE

Poles Set Free

Polish authorities began freeing 1,000 interned Solidarity nists, farmers and schol ars in the largest easing of martial law since the December crackdown. Meanwhile, a clandestine statement reported that four fugitive Solidarity leaders would try to revive union resistance while Lech Walesa remains jailed. Page 2.

Banking in Italy

A special report on banking and finance in Italy appears on Pages 9S-11S.

Note to Readers

Because French law forbids newspaper publication on May I, there will be no Saturday-Sunday issue of the International Herald Tribune this week. Normal publication will resume next week.

Salvadoran Independent Is Elected

SAN SALVADOR — Alvaro Alfredo Magana, a politically inde-pendent banker, was elected provi-sional president of El Salvador by the Constituent Assembly on Thursday.

The vote was 36-17 with seven abstentions. It followed several days of maneuvering between the centrist Christian Democrats and five rightist parties.

Meanwhile, the government an-

nounced it was reimposing for 30 days the state of siege lifted during

March to allow wide participation in the assembly elections. The 60-seat assembly was elected March 28 and was empowered to choose a provisional president to replace the civilian-military junta, and to rewrite the constitution and schedule general elections,

probably next year. Mr. Maganá, 56, a U.S.-educated economist who has headed the National Mortgage Bank for 17 years, is considered an independent who holds moderately conservative views.

He has pledged to make economic recovery his top priority for El Salvador, where leftist guerrillas have been fighting the ruling civilian military junta since it came to

power in October, 1979. The State Department and the armed forces had been trying since last week to convince a majority of the deputies to elect Mr. Magana. They suggested that El Salvador would risk losing U.S. economic and military sid if he were not elected and that it might risk a military coup. On Wednesday, the assembly

canceled for the second day in a row a session intended to name the new provisional president. The assembly president, Roberto D'Aubuisson, said the session was can-celed for lack of a quorum. Mr. D'Aubuisson's uîtra-rightist National Republican Alliance, known by its Spanish initials ARENA, was believed to be trying

to pry apart a fragile alliance on

the presidential issue between the Christian Democrats and the rightist National Conciliation Party, which governed the country for 20 years and represented the landed ARENA officials were telling National Conciliation's 14 deputies, who held the balance of power in the assembly's decision, that the

army would not move against a duly elected rightist government and that the United States would not withdraw aid from a strongly anti-Communist government. They were thought to be pushing to use the combined rightist majority in the assembly to elect one of their own number.

An ARENA official said the March 28 election that gave four rightist parties 60 percent of the valid votes was a mandate to re-

move the Christian Democrats from the power they currently share with the military. "The United States will have to

respect the will of the people," the official said. "The army will never move, either. They put too much into those elections.

Politicians on both sides said that National Conciliation deputies were deeply split. The reimposition Wednesday of

the state of siege suspends a number of constitutional guarantees.
The state of siege had been in force for two years before being lifted in March. Siege regulations empower officials to read private mail, limit freedom of expression and ban individuals from traveling

The state of siege was decreed for 30 days, but it can be extended. following recent custom. The regulations, originally imposed only for a month in March, 1980, were extended every 30 days until they were allowed to lapse last month.

The guerrillas, meanwhile, appear to have escalated the war in the countryside, offering strong resistance to a new military offensive in eastern Morazán province. The rebels also overran the town of Los Perez in northern Chalatenango province, while military patrols were reported sweeping western Santa Ana province in search of guerrillas, who previously have not been much in evidence there.

28 Hostages

In Honduras

Hijackers Demanding

TEGUCIGALPA, Honduras

Four hijackers lowered their ran-

som demands Thursday for the re.

lease of 28 hostages aboard a Hon.

duran airliner parked at Tegucigal pa's airport after the government, refused to pay \$1 million and to

free 52 persons the hijackers said

were being held in Honduran jails

The hijackers reduced their de-mand to \$250,000 and the release

of 32 reputed prisoners in a radio

message from the plane parked ar

Tegucigalpa airport. There was no

immediate government response.

After the government agected the hijackers' initial request, the

deputy foreign minister, Rodol Rosales Abella, said, "Honduras is

a poor country confronting a tre-

Freedom for Leftists

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Cato

Fear of War Softens Europe's Pro-U.K. Mood

landing on April 2. Britain's European partners gave unqualified support to its vigorous reaction. Now that the fleet has arrived and seems about to go into action, the mood has changed. Britain's allies still support it publicly, and officially the latest backing was registered Tuesday at a European Economic Community meeting in

Luxembourg, A cartoon in Thursday's Le Monde newspaper expressed it. A caricature of Alexander M. Haig Ir., the U.S. secretary of state, has moved his negotiating table to the bottom of the sea, and gloomily

noi be sent into action.

could be bloody.

with the prime minister, shouting that she must "try and try and try again to reach a peaceful settlement."

She accused him of inconsistently supporting the dispatch of the task force while arguing that it should

way," she said.
Former Prime Minister James Callaghan, a Labor

Party member, was more supportive of his successor

But he strongly urged her to rely on the aerial and maritime blockade, in the hope of wearing down the

isolated Argentine garrison in the Falklands, rather

than attempting "a frontal assault," which he said

F. Woodward, issued a similar warning in an interview with British journalists that was published in

Thursday morning's national newspapers. Adm.

Woodward, who earlier this week predicted an easy

victory for his men, said Thursday he did not view

himself as "the hawk-eyed, sharp-nosed hard military

man, leading a battle fleet into the annals of history."
"I am not in any doubt," the admiral said, "that

unless people say 'let's stop' it will be a long and

bloody campaign, and in my mind it is absolutely fundamental for us to try to avoid it."

island archipelago about 300 miles (480 kilometers) from the coast, was expected "in the next 24 to 48

Argentina's military governor in the Falklands. Mario Benjamin Menendez, Wednesday night warned that a British attack could come at any

There are also signs of tension with Chile, which has its own territorial dispute with Argentina over islands in the Beagle Channel at the tip of South

A judge in the western city of San Juan near the

Chilean frontier said Thursday that a Chilean citizen, Armando Borquez Krumbasch, had been arrested on

In Washington, a senior U.S. official Thursday predicted that Argentina would put up a fierce defense if Britain launched an assault for the Falklands. Norman Bailey, director of national security plan-

The commander of the task force, Rear Adm. John

"It would be highly dangerous to bluff in that

the aid of the United States, the At the meeting in Luxembourg, Belgium's foreign minister, Leo Tindemans, announced that the EEC continued to support Britain. But he also stressed the need to find a diplomatic solution. The

The Italian foreign minister. Emilio Colombo, supporting this tines, many of whom are of Italian descent.

Italian Foreign Ministry sources said that Italy would continue to hope "until the last minute that mediation will succeed," but they would not speculate on what the position would be if matters deteriorated.

The French government has not budged from its initial, unequivocal support for firm British action. Neither has the West German government, officially. But German officials say that military escalation would cause them to reconsider the situation.

West Germany is Argentina's biggest trade partner in Europe. and a principal supplier of weapons. Not long ago, the West German government stopped calling the disputed territory the Falklands and began referring to it as the Falkland-Malvinas, Although emphasis, noted that Italy would this was officially explained as a be in a difficult position if British measure to match UN terminolo-

torical claims. Argentina was the aggressor, counted as well. In the case of the French, there was the additional reflection that if small bits of former empire are to be seized by Third World countries

own that could be at issue. The notion that a member of the Western alliance, demoralized by internal wrangling and economic crisis, could muster its forces to respond to an attack was seen as an encouraging example, as well.

Unreality of War

However, all this support depended to some degree on the ap-parent unreality of any serious chance of war. Britain's martial mobilization was seen as a means of compelling negotiations, not of replacing them.

There is no sense among Britain's European allies of just what actual fighting will accomplish. European newspapers are report-ing the growth of intransigence in Argentina, and of a popular mood that clearly threatens the military government if it does not stand

The sense of unhappy choices has not totally replaced the tendency to stress the ludicrous nature of the confrontation. "A war between invalids," the French business newspaper Les Echos called it, referring to the economic feeble-ness out of which both sides were constructing their warfare.

But the comments have grown steadily grimmer. "It is easy to start a war," Le Monde said earlier this week. "It is much harder to stop it. Especially when emotional and irrational factors are involved in the quarrel, which is plainly the case in the dialogue of the deaf now going on between Great Britain and Argentina."

Assembly Condenns Argentina

STRASBOURG, France (UPI) The 21-nation Parliamentary Assembly of the Council of Europe on Thursday condemned Ar-gentina's scizure of the Falklands as "a violation of the basic princi-ples of international law" and demanded a prompt evacuation of

n and denounced Argentina as "a military dictatorship where human rights are flouted and basic

tion. The Spanish delegates abs-tained in the final vote. Pravda Reports



The first internees released from Warsaw's Bialoleka Prison collecting documents Thursday.

Warsaw Begins Freeing Detainees As Part of Martial-Law Relaxation

WARSAW — Authorities began freeing 1,000 interned Solidarity unionists, farmers and scholars Thursday in the largest easing of

December crackdown.
At Warsaw's Bialoleka prison. where nearly 200 internees were held, 35 Solidarity members, some wearing red and white union badges, boarded regular city buses for their trip home after four and a half months of internment.

They were among 800 internees to be freed and 200 placed on parole by the ruling Military Council, which also announced lifting of the 11 p.m.-to-5 a.m. curand other concessions

Wednesday night. According to a clandestine state-ment circulated in Warsaw on Thursday, four fugitive leaders of Solidarity have united to lead a struggle against the martial-law system while Lech Walesa, the head of the union, is jailed.

They called for a token nationwide 15-minute work stoppage May 13 to mark five months of martial law. The four unionists met secretly April 22 and formed a temporary coordinating committee, the Solidarity statement said.

Zbigniew Bujak of Warsaw province, Władysław Frasyniuk of Wroclaw, Wladyslaw Hardek of Krakow and Bogdan Lis of Gdansk will lead Solidarity until Mr. Walesa is freed, it said.

Among those released Thursday was Zbigniew Knap, a member of the Warsaw Solidarity board. He said, "I was just taking a walk when an officer called me by

Farms Working

2 Shifts Per Day

MOSCOW — Soviet farms are working double shifts in an at-

tempt to make up for last year's drastic shortfall in grain produc-tion, Pravda said Thursday.

Unseasonal cold and snow last

month delayed the beginning of

spring work by two weeks, but Western agricultural experts say

that so far the weather outlook for

The grain may suffer later be-

cause a late spring means key growing periods will fall in the hot-

little rain then, much of the crop may dry up as it did last year, re-

sulting in a total yield of around 150 million to 160 million metric tons compared with a goal of 235

The Pravda report said mechani

cal equipment was being shifted

around on state and collective farms to allow for plowing and sowing within a 24-hour period. "Not infrequently, the soil is prepared at night, and by day the

sowing units are going over these fields," Prayda said.

terprises have set themselves a task," Pravda added, "not only to

fulfill the plan of sales [to the state] for this year, but also to fill

in the shortage of production left over from the last drought sum-

3 E. Germans Flee to West

HELMSTEDT, West Germany

Three East Germans used a
buildozer early Thursday to crash

through a border fence into West Germany, police said. The escape set off automatic firing devices,

but the three men were not hurt.

United Press Interne

"The grain workers of many en-

est part of the summer. If there is

the 1982 crop is fair.

name. He led me to a barracks and them through operators. The ban said, You will be free in a couple

One internee said, "We just were told that we are released, we got our belongings and goodbye."

Another said, "Now we will fight for restoration of our union, for lifting of the suspension of our mion."

The authorities announced Wednesday the release of the Rural Solidarity leader, Jan Kulaj. But no mention was made of Mr. Walesa, who has been held since the crackdown Dec. 13, which followed 16 months of union challenges to the Communist Party. In Gdansk, Mr. Walesa's wife,

Danuta, said she had not expected her husband's release but hoped he might get a brief furlough to come

The Warsaw government said it was easing restrictions "because of the further stabilization of the situation in the country." The curfew will end Sunday, the announcement said, but provincial gover-nors are authorized to reimpose it.

Permits will no longer be required for tourist excursions organized by factories and institutions, for courses, conferences and train-ing meetings organized by social groups, or for gatherings and assemblies organized by approved government committees, the an-

People making domestic phone calls will no longer have to place

on visas for representatives of in-dustrial firms and foreign trade and diplomatic missions will also

However, communiques from the Military Council and the Inte-rior Ministry made clear that ar-rests and detentions were not over. The Interior Ministry said, "In-ternment can be applied through-out the duration of martial law. Decisions on internment will be made also with respect to persons who, after their release from isolation centers, do not take the op-portunity to return to normal life and resume illegal activity."

There was speculation in Warsaw that the government eased the restrictions in exchange for the postponement of Pope John Paul Il's August trip to Poland. The pope's 1979 visit to Poland touched off an outburst of nationalist and religious fervor that created a climate favorable to the birth of the independent labor movement and its demands for liberalization

Archbishop Jozef Glemp, Po-land's Roman Catholic primate, met with Premier Wojciech Jaruzelski, the Communist Party chief, on Sunday before the archbishop went to Rome to meet with the pope. The archbishop announced the postponement of the papal visit at the Vatican on Wednesday.

mendous economic crisis and it cannot enjoy the luxury of handing over \$1 million to a terrorist group. "Neither can we free 52 political prisoners who do not even exist in our jails since no one here is per-

secuted for his political ideas" Earlier, the government said it would let the hijackers fly to another country if they freed the hostages. It said the hijackers were

members of a leftist group called Revolutionary Popular Forces-Lorenzo Zelaya. Police said the Honduran Air Service propeller-driven plane was taken over by four leftists, armed with pistols, on Wednesday moming during a flight from La Ceiba to Tegucigalpa. La Ceiba is 115 miles (185 kilometers) north of the

capital.
In negotiations with the presi dent of the Honduran Human Rights Commission and ambassa dors from the Vatican and the Dominican Republic, the hijackers first demanded \$500,000 and the release of 20 persons they said were political prisoners. A Honduran official said none of the 20 were serving prison terms for crimes of any kind.

The hijackers increased their demands Wednesday night in a meeting aboard the plane with the Vatican ambassador, the Rev. Andres Cordero Lanza. But there was no official confirmation that any of the additional 32 persons listed were in prison.

16 Hostages Freed During the day, the hijackers freed 16 hostages. Eleven were women passengers, two were stewardesses, one was a child and two were men who were reported

Among those released were seven Americans, the U.S. Embassy said. One of eight Americans re-

maining aboard the aircraft reportedly was NBC television correspondent Brian Ross. Police sources said the hijackers apparently placed explosives in different parts of the plane. Earlier blow up the aircraft unless their demands were met, but they did-

not renew the threat when they increased the demands. Shots were heard from inside the. plane at one point, but there was.

no word that anyone was hit.
The Revolutionary Popular: Forces-Lorenzo Zelaya is named for a student leader who was killed in 1976, when police opened fire on a demonstration he was leading. The group has claimed respon-sibility for 16 terrorist acts in the been arrested in clandestine military operations in Manila and its subpast two years, including a ma-chine-gun attack on the U.S. Embassy three weeks ago in which no one was hurt.

France Prepared To Expel 40,000 **Illegal Immigrants**

PARIS — About 40,000 foreign-ers face expulsion from France after failing to qualify for legal sta-tus, the secretary of state for immi-grants, François Autain, said on

television Thursday. The Socialist government, which came to power in May, 1981, said that it would give priority to ensur-ing the rights and social benefits of illegal foreign workers by offering them a six-month period to apply

for legal status.

Mr. Autain said 100,000 people had qualified. The 40,000 who face expulsion were unable to prove reasonable employment or a

source of income, the requirement for legal status, officials said.

Mr. Autain also told the pro-Socialist newspaper Le Matin that with the six-month grace period finished, the government will launch a strict campaign to deport illegal foreign workers and to stop illegal entry.

He said the new measures were

also necessary to counter an increase in racism in France.

Nigerian Troops May Leave Chad

LAGOS - A battalion of Nigerian troops serving with the Organization of African Unity peace-keeping force in Chad will return home by the end of this week, the Nigerian news agency has reported, quoting Ministry of Defense SOUTCES. .

Nigeria maintains about 2,000 oldiers in Chad as part of an OAU force that also includes

troops from Senegal and Zaire.
Last month, Nigerian Foreign.
Minister Ishaya Audu said hiscountry would consider polling out. of the OAU force if there was no progress toward a political solution in Chad. The agency did not say Wednesday how many Nigerian forces would remain once the battalion is withdrawn.

ships above him to destroy each other and sink to talking level. By Richard Eder New York Times Service Britain was right, the West Ger-man Süddeutsche Zeitung said PARIS - For the rest of Europe. the rationale for the gradual prog-Wednesday, but this did not reress of the British fleet toward the move the fact that an absurdity Falkland Islands has also been similar to the rationale for a nuclewas turning into a tragedy. "If London does not want to gamble away international good will," the ar deterrent: the point was not to newspaper continued, "it can seek In the days after the Argentine only a peaceful solution - with Europeans or the UN."

substance of Mr. Tindemans' words was no different, technically, from what the British are saying, but the emphasis was shaded.

waits for the Argentine and British troops were used against Argen- gy, officials did not hide the fact

Thatcher Says Argentina Has Key Reports from the fleet said Adm. Woodward intended to station ships armed with anti-nircraft missiles in a rough circle around the islands, perhaps 50 or more miles offshore. Other ships will be assigned to protect the aircraft carriers Hermes and Invincible and the supply ships. The carriers' Harrier jump-jets will be used to stage "combat air patrols" and the three nuclear-powered submarines will cruise under-water along the perimeter of the exclusion zone.

The Ministry of Defense has said it will "close" the air strip at Stanley and has threatened to destroy any planes found there. eign diplomats here said they had no reason to be

As the fleet moved into position, British and foroptimistic that Argentina was moving toward accept-ance of the Haig proposals. They said the absence of any guarantee of ultimate Argentine sovereignty appeared to constitute a condition that the junta would accept only at its own peril.

U.S. Panel Vows Support

WASHINGTON (AP) - The House Foreign Affairs Committee approved a resolution Thursday saying the United States should provide "full diplomatic support" to Britain if the Falkland Islands dispute is not settled peacefully.

Argentina Says It Has Not Rejected Plan

has well-trained armed forces, and they are entrenched in the Falklands. It is going to be difficult, especially under current climatic conditions, for the British to land on the Falklands. If they succeed, the response will be quite fierce."

BUENOS AIRES (WP) - Journalists from two of Britain's leading newspapers were denied bail Tuesday night by an Argentine judge who ruled earlier that they will be put on trial for espionage. They face prison sentences of two to eight years if convicted. The defendants, who have denied categorically the government's allegations, are Simon Winchester of The Sunday Times and the reporter-photographer team of Ian Mather and Tony Prime of The Observ-

ning for the National Security Council, cautioned against underestimating Argentina.
"Argentina is not a banana republic," he said. "It

the islands. Journalists Denied Bail

The assembly also expressed sympathy for the occupied populaliberties are nonexistent."

The house rejected Spanish delegates' amendments trying to soften the pro-British tenor of the resolu-

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WORLD NEWS BRIEFS Compiled From Agency Dispatches

Berlin Protest Set for Reagan Visit BERLIN - More than 100 Berlin peace groups announced plans

Thursday for an anti-NATO demonstration to coincide with President The protesters were said not to have decided whether to hold their demonstration on the day of Mr. Reagan's visit or the night before.

Peace groups have already announced a demonstration in Bonn June 10, when the president visits the city for a NATO summit meeting.

Manila Rights Group Accuses Military

MANILA — A human rights group has accused the military here of secretly detaining a priest and a suspected Communist underground leader in suburban military stockades. The Philippine Council for Human Rights said that Edicio de la Torre and Horacio Morales, both 38; were among 10 persons believed to have

An armed forces spokesman declined to comment, but Deputy Defense Minister Carmelo Z. Barbero, in a telephone interview, confirmed that Mr. de la Torre had been taken into military custody.

Bush Arrives in Australia for Talks

CANBERRA, Australia -- Vice President Bush arrived in Australia on Thursday to reassure "one of America's closest allies" of Washington's

concern for security in the Pacific.

"President Reagan has asked me to try to convey to all I meet here the great affection and respect the American people have for Australia," Mr. Bush said on his arrival in Camberra. His visit coincided with the 30th anniversary of the signing of the

ANZUS treaty by Australia, New Zealand and the United States, pledging U.S. military support in the event that regional security is threatened Mr. Bush, who is on a tour of Asia and the Pacific, flew to Canberra from Singapore, where he had talks with President Lee Kwan Yew.

Nyerere Criticism of Kaunda Seen

DAR ES SALAAM, Tanzania — President Julius Nyerere has voiced what appeared to be indirect criticism of the scheduled meeting Friday of Zambian President Kenneth Kaunda and South African Prime Minister Pieter W. Botha.

In a speech at a banquet in honor of visiting Mozambican President Samora Machel, Mr. Nyerere said no leader from outside South Africa can speak on behalf of black South Africans and any outsider who tried to stop the anti-apartheid struggle in South Africa would lose the respect

Mr. Nyerere is the chairman of Africa's "front-line" group of presidents mandated by the Organization of African Unity to oversee efforts to end white minority rule in southern Africa.

Shariatmadari Accused of CIA Links

BEIRUT - The Iranian regime has accused 82-year-old Ayatollah Kazem Shariatmadari, a leading clergyman arrested for plotting against Ayatollah Ruhollah Khomeini, of having ties to the CIA. The deputy speaker of Iran's parliament, Hojatoleslam Musavi Khoin-iha, made the accusation Wednesday night on Tehran television, the

Islamic Republican News Agency said. He displayed documents pieced together by militants who took over the U.S. Embassy in November, 1979, and claimed the papers proved that Aytollah Shariatmadari had links with the CIA.

U.S. Arrests of Aliens Are Challenged

NEW YORK — About 3,500 persons have been arrested so far this week in a crackdown on illegal aliens working in the United States, but many are being set free and a federal judge has set a hearing on whether

The action in nine cities by agents of the Immigration and Naturaliza-tion Service also have stirred protests from church groups and organizations representing Hispanics, Arabs, Jews and other immigrants. In Los Angeles, lawyers for an immigrant rights group won a federal court order Wednesday barring the imminent deportation of 150 Mexi-

Nuclear Ban Defeated in New Zealand

WELLINGTON, New Zealand - Parliament Thursday defeated by one vote a move to declare New Zealand a nuclear-free zone, which would have blocked the visit of U.S. nuclear-powered warships. Richard Preeble, a member of the opposition Labor Party, introduced the bill two weeks after the Wellington City Council voted to declare the New Zealand capital a nuclear-free zone. Mr. Preeble's bill was defeated

The Wellington council motion was aimed at preventing visits by U.S.

Analysts Say Failure Of Budget Talks Hurts **Outlook** for Recovery

By John M. Berry

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WASHINGTON - The failure of budget negotiations between President Reagan and congressional leaders leaves the nation facing a string of inge budget deficits and continuing high interest rates, with little chance for a sustained economic recovery soon.

Congress still could find ways to

reduce the deficits. But in the absence of major spending cuts and tax increases, interest rates are likely to stay so high that the housing and auto industries almost cer-tainly will remain deeply de-

NEWS ANALYSIS

pressed, according to a number of economists. In addition, the high rates probably will lead businesses to keep cutting back their capital investment, without which there is no healthy, long-term economic

Murray L. Weidenbaum, Mr. Reagan's chief economist, recently said that even the \$56 billion worth of spending cuts and revenue-raising measures proposed in the president's February budget are not regarded as large enough to relieve pressures in financial markets and bring interest rates down. There will be "a slower, less robust recovery" if there is no budget ac-cord, he said.

Limited Expansion Expected

In a similar vein, H. Erich Heinemann, an economist at Morgan Stanley & Co., a New York investment banking firm, said last week that in the absence of a significant change in the budget outlook, "we expect that any drops in interest rates will be short-lived. which should serve effectively to limit the scope of economic expansion this year and next."

One of the few points on which the administration and congressional negotiators agreed was that without tax increases or further spending cuts, the 1983 deficit would be about \$180 billion — and that figure assumed the economy would begin growing at about a 4percent annual rate at midyear.

If the Treasury has to borrow to finance a deficit of that magnitude in 1983 and even larger amounts in 1984 and 1985, while the Federal Reserve continues to limit the growth of the money supply to hold down inflation, interest rates are unlikely to fell

are unlikely to fall. Economists fear that any incipient recovery could then be choked off by a jump in interest rates, which would rise as federal borrowing collided with the increased need for credit in the private sec-

The administration had hoped that a recovery would be touched off by the 10-percent cut in individual income taxes scheduled for July, plus the \$12 billion in cost-ofliving increases in Social Security benefits set to take effect the same month.

Generally speaking, economists are much more wortied about the huge deficits looming for 1984 and 1985 than the deficit expected in 1983, because next year, even with a recovery, the economy would still be depressed and business demand for credit would be relative-

At some point, the Federal Reserve probably would be forced to raise its money-supply growth tar-gets to stem the damage from re-peated bouts of recession. To do so, the Fed would directly buy more of the Treasury securities issued to finance the deficit. This could lead to renewed inflation.

If there is no action to trim the deficits, Irwin L. Kellner, chief economist at Manufacturers Hanover Trust Co., expects the major banks' prime lending rate, now 16½ percent to hit 22 percent by late summer. If, as is more likely, Congress acts to cut spending or raise taxes, rates would stay about where they are. A "meaningful compromise" could lead to steadily declining rates over the next year, he believes.

Allen Sinai of Data Resources Inc. said the failure of President Reagan and congressional leaders to compromise could push interest rates up by about I percentage budget probably has already clipped a full percentage point off next year's economic growth benext year's economic growth be-cause it led to higher corporate of the United States and its allies,

But Mr. Sinai noted that there could be an "escape valve." If in-flation continues to fall, a given money-supply growth rate will sustain a higher level of real economic activity before rising interest rates begin to squeeze out private borrowers, he said.

"With a 2-percent or 3-percent inflation rate, we would have no fined \$10,000 after pleading guilty clash between fiscal and monetary policy," Mr. Sinar said. But he added that the rate probably will still be in the 6-percent range at

"A failure to compromise on the budget makes the whole recovery much more fragile, much more vul-nerable," he said. "Fooling around on it for another six months will hurt, but it will really hurt when those deficits actually occur.

Reagan, Leading Democrats Fail to Reach Budget Accord

(Continued from Page 1) Committees, to get his cues from

Despite this sniping, both sides agreed that what Rep. Bolling called "fundamental policy differences" led to the stalemate. They also agreed that a congressional battle seems unavoidable. The White House announcement late Wednesday afternoon that Mr. Reagan would make a television speech Thursday night to defend his budget seemed to indicate his readiness for such a fight.

"I don't rule out the possibility of further talks," Sen. Baker said after the Capitol meeting. But, he added, "there's no realistic prospect of a bipartisan agreement." The president offered to split the difference on the issues re-

maining in dispute and that was not agreed to." Sen. Baker said. He said "splitting the differ-ence" meant that Mr. Reagan would meet the Democrats halfway on domestic spending, agree to increases in taxes and other revenue of \$123 billion over the next three fiscal years and accept \$28 billion in military spending cuts in Court of state in the same period.

But the Democrats, according to a worksheet used in the meeting. and a May 1880 proposed revenue increases of \$145 billion over three years, and they wanted military spending cuts والمتحالفتان والناء of \$33 billion.

The worksheet breakdown on the art of Mar. the spending proposals also illus-trated the ideological lines in Wednesday's budget talks. The Republicans proposed \$25 billion nd. The billing in spending cuts for entitlement programs over three years, as op-posed to the \$8 billion to \$9 billion lavored by the Democrats.

By limiting cost-of-living in-creases in Social Security and and also leading other benefit programs, the Republicans proposed to save \$26 billion in three years, while the Democrats would have taken \$16 billion from beneficiaries of those

programs.
On nonmilitary discretionary spending, which covers a range of social programs, the White House wanted to cut \$33 billion rather than the \$23 billion favored the

ian Troop Democrats. The chance of resolving these differences on the split-the-differ- cent share in the latest replenishence formula apparently disappeared when Rep. O'Neill rejected . the idea of trading a three-month delay in the tax cut for a threemonth delay in cost-of-living in-

creases for Social Security. Deficit Target

Both sides agreed on a deficit target of \$105 billion to \$110 billion in fiscal 1983. But the Democrats insisted that the deeper spending cuts proposed by Mr. Reagan showed that he means to preserve his plan to cut income taxes by 25 percent over three years by reducing services for poor

and middle-income families. "The president and his people honestly believe their program is share in the fund in spite of Bonn's fair, and we know it isn't fair."

said Rep. Bolling. "It's absolutely clear that we can't deal with this situation in a rational way unless we include major changes in the third year of the tax cut."

Rep. O'Neill, characterizing Mr. Reagan as a "sincere man" who does not understand the social costs of his economic philosophy, also suggested that Congress would now begin altering the president's budget. "The truth of the matter is the negotiations are over, and we will now go back to the legislative process," the Democratic leader said.

The White House and Republican congressional leaders struck back by suggesting that Rep. O'Neill had resisted a reasonable compromise. "Today, the president held out the hand of compromise," said James A. Baker 3d, the White House chief of staff, who was the main White House negotiator in the talks that led up to the meeting. "We had boped for give and take up there, and what we found mostly from the other side was mostly take and very little give. The president, I think it's fair to say, has gone more than half-

Nations Worried By Cuts in Funds For Asian Bank

Renters MANILA — The developing countries of Asia and the Pacific. as well as some of their more af-fluent partners in the Asian Development Bank, voiced concern Thursday about increasing difficulties in obtaining international aid funds.

Sri Lankan Finance Minister Ronnie de Mei told the ADB's 15th annual meeting that Third World countries were being forced to turn to commercial sources for funds, with consequent increases in borrowing costs.

Canadian representative Doug-las Lindores joined Third World representatives in criticizing the U.S. refusal to maintain its 22-perment of the Asian Development Fund, ADB's facility for low-cost loans. The United States has pledged \$520 million, compared with the \$903 million requested by the bank.

Finance Minister Michio Watanabe of Japan, whose extra contribution of \$130 million helped the ADB meet its target of \$3.2 billion for the fund earlier this week, pledged that his country "intends to retain its position as the

largest shareholder." West Germany's Konrad Porzner, state secretary at the Eco-nomic Cooperation Ministry, said his country was maintaining its

large budget deficit last year.



Walter Polovchal

Soviet Boy's Father Puts Blame on Politics

By Nathaniel Sheppard Jr. New York Times Service

CHICAGO - Michael Polovchak says that if he had been a French or German citizen returning home from the United States with his children, he would not have had to fight Illinois and U.S. authorities to regain custody of his son Walter.

But he is a Soviet citizen, a bus driver who became "a victim of the relations between these powers," he said, "Being a citizen of the Soviet Union is my handicap." Mr. Polovchak returned to the United

States earlier this month to continue his efforts to regain custody of Walter, now 14, who was granted asylum after he decided he did not want want to return to the Ukraine with his parents.

Mr. Polovchak said he and his wife came to the United States in January, 1980, after one of his sisters living here convinced him the United States offered a life of comfort. He said he decided to return to the Ukraine, where he had held a respectable job, owned a house and had a car, when he found life in the United States did not meet his expecta-

His son Walter, then 12, and his 17-year-old daughter, Natalie, had found life in the United States appealing, and they ran away to live with a cousin to avoid having to return to the Ukraine.

The parents agreed to let their daughter make her own decision because she was almost 18, but they wanted to take Walter back with them, along with a 6-year-old son who did not become part of the dispute. But through a series of legal manuevers, state and federal authorities prevented the Po-lovchaks from taking Walter home with

Mr. Polovchak described a meeting he had on April 16 with Walter and Natalie as

"They are so brainwashed," he said. "They could say only that they were happy here and couldn't be happy back home. My daughter told me I was not a free man, that I had been escorted by a Soviet security man. She said that if it was not so I should come with them to eat pizza. We went to a pizza parlor, ate pizza and soda and talked for a while. I then said, 'Now do you believe that I He said Walter repeatedly told him he was afraid to return home for fear he would be persecuted or put on trial and put in a con-

centration camp. 'l asked him if he thought I, as his father,

would come over here to take him back to something like that," Mr. Polovchak said. "I told them that children need their parents and that parents need their children, that he would be accepted warmly if he re-

turned. He said that alienation from Water and Natalie began after the cousin living in Chicago, also named Walter, began taking the children for rides in his automobile, to restaurants and to a Ukrainian Baptist Church. Mr. Polovchak said his family had long embraced the Ukrainian Catholic Church.

The custody issue is before Illinois state courts. Even if the Polovchaks are given custody of Walter, the U.S. government has moved to block his return to the Soviet Union by issuing a departure control order pre-venting him from leaving the United States. Such an order would have to be challenged through another lawsuit.

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CLA Details Secrets Sold By U.S. Spy

Report Says Russians May Have Radar Plans

By Robert C. Toth

Las Angeles Times Service

WASHINGTON — A CIA report to Congress has confirmed that more than 20 "highly classified reports on advanced future lied reports." including

U.S. weapon systems," including "the quiet radar system for the B-1 and Siealth bombers," were sold to the Communist bloc by William point. The uncertainty over the Holden Bell, a former Hughes Aircraft Co. engineer.
The information jeopardizes ex-

the CIA said in the report. It will help Poland and the Soviet Union save "hundreds of millions of dollars in research and development efforts" on comparable weapons for themselves as well as defensive measures to counteract the U.S. systems, it said. Mr. Bell was sentenced last De-

cember to eight years in jail and to espionage in a court in Los An-geles. He had been paid \$110,000 over three years for the informa-

Mr. Bell's main contact was a Polish intelligence agent, Marion Zacharski, who was sentenced to life imprisonment for espionage. Mr. Zacharski had posed initially as a Polish business with Mr. Bell, who had financial

Official Confirmation The CIA report is a declassified

version of testimony last month by the deputy CIA director, Adm. Bobby Ray Inman, to a subcommittee of the House Science and Technology Committee. It appears to be the first official confirmation of the kind of information Mr. Bell sold, Mr. Bell told the CBS-TV pro-

gram "60 Minutes" about the Stealth and B-1 radar documents, as well as other weapons systems, in a detailed interview six weeks ago. The Pentagon refused to comment on his disclosures at that

The classified reports that Mr. Bell filmed and delivered to the Poles, "and probably eventually to the Soviet intelligence service," the CIA report said, also dealt with a "look-down, shoot-down" radar system for the Air Force F-15 fighter, an all-weather radar system for tanks, an experimental radar system for the Navy, and the Phoenix air-to-air missile designed for the Navy's F-14 fighter.

He also furnished information on a shipbome surveillance radar, the Patriot anti-aircraft missile, a sonar system designed to be pulled behind surface ships to detect submarines, a new air-to-air missile, the improved Hawk surface-to-air missile and a NATO air defense system, the report said.

Some of the secrets may have

fallen into Soviet hands after Shah Mohammed Reza Pahlavi left Iran in January, 1979. U.S. F-14 fighters and improved Hawk missiles had been sold to Iran before then,

for example.

The nature of the quiet radar for the B-1 and Stealth bombers was not immediately clear. A Pentagon spokesman said it was "assumed the radar emits pulses at low pow-er or pulses that are not easily detected" by hostile antennae.

Mr. Bell's information was recounted in two paragraphs of the 15-page CIA report, which was ti-tled "Soviet Acquisition of West-ern Technology." It was published in response to congressional requests for a declassified version of Adm. Inman's testimony, a CIA spokesman said.

The report stated that since at least the 1930s, the Soviet Union has spent vast amounts of money and manpower to get Western technology to enhance its military power and improve its military manufacturing technology.

"Today this Soviet effort is massive, well planned and well managed, a national level program approved at the highest party and governmental levels," it said. The Russians have succeeded in

the effort by using a combination of legal and illegal means, the report said, in large part by using East European intelligence agencies as surrogates.

Honecker, Kulikov Confer

The Associated Press BERLIN - Erich Honecker, the East German Communist leader, conferred Thursday in East Berlin with Soviet Marshal Viktor Kulikov, the supreme commander of Warsaw Pact forces, the East German news agency ADN reported.

U.S. Claims Soviet Arms Sales Spread 'Panic' remark, made in a statement ac-

By David Wood Las Angeles Times Service
WASHINGTON — The Reagan administration has accused the Soviet Union of instigating a world-

wide race to sell arms to the Third World. In a report issued Wednesday by the Arms Control and Disarmanent Agency, the agency's di-rector. Eugene V. Rostow, said the Soviet policy has led to "the disin-tegration of world public order and the spread of fear and panic." The report said that by the end of 1979, the Soviet Union had become the world's largest exporter

Agency officials conceded, however, that the United States has responded to the Soviet sales with harp increases in its own weapons sales and the providing of training and military services abroad.

Robert T. Grey, deputy directordesignate of the arms control agency, contended that Soviet arms ales to the Third World "jeopardize regional stability," while arms sales by the United States "foster stability." He did not explain the

companying the report. The report said that the United

States, faced with huge Soviet arms sales, has had no choice but to respond in kind. From 1975 through 1979, the penod covered by the agency report,

the Soviet Union exported an estimated \$33.5 billion worth of weapons, while the United States sold \$29.4 billion worth. The report showed a trend of accelerating So-viet arms exports, reaching \$10.4 billion in 1979, compared with \$5.6 billion for the United States.

More recent figures are not available for Soviet arms exports; administration officials have said they expect U.S. arms sales could reach \$25 billion in fiscal 1983. According to several private

studies using government statis-tics, the United States already has surpassed the Soviet Union in arms sales. That conclusion was reached in a report done earlier this year for the Council on Foreign Relations and in a study released last week by the Center for

Much of the dispute over who leads in world arms sales involves the definition of arms. The U.S. report's statistics do not include nuclear weapons, training, military construction or "dual-use" goods - those that can be used for either military or civilian purposes.

Arms control agency analysts believe the exclusion of such costs provides more meaningful comparison with the Soviet Union, which normally offers little training. spare parts or construction to its arms clients.

Nevertheless, the administration has cited a sharp increase in Soviet arms sales as justification for its decision to make arms sales a mafor part of its national security policy. That policy runs counter to a Carter administration directive to use arms sales judiciously as an exceptional foreign policy imple-

Administration officials have said that such arms sales can solidify friendship with a foreign country, as in the case of sales to Saudi Arabia, and can also counter for-

from actual sympathy for Hitler

and Nazi Germany than from a

general sense of frustration with the absence of iron leadership in

the Soviet Union, with the loss of

eign intervention, as is the aim in El Salvador. In addition, the production of weapons for export lowers the cost of purchasing the same types of weapons for U.S. military forces.

Officials stressed Wednesday increasing arms sales came about as a reaction to the increase in So-

"The United States remains committed to restrain arms transfers and is ready to seriously discuss specific proposals" for arms control, Mr. Grey said in the statement

Mr. Grey said the Soviet Union has created "a military-industrial complex with a surplus capacity." which has enabled Moscow to use its arms-sale policy to implement an ambitious policy of Third World expansionism.

In the face of that effort, Mr. Grey said, "We must assist our allies and friends in meeting legitimate self-defense requirements creased by this growth in Soviet



'Fascist' Rally Attempt Is Reported in Moscow the Tascists on Pushkin Square, on the contrary, have received consid-erable publicity, largely in the By Serge Schmemann onstration seemed to derive less

New York Times Service MOSCOW - in a land where

unsanctioned demonstrations are all but unknown and "fascism" ranks among the vilest terms a group of young Russians tried last week to hold a rally marking Hitler's birthday.

styled fascists, numbering some-where from a dozen to more than resembling a national or even local where from a dozen to more than tral Moscow, which is a popular the rival sports fans, who more fregathering place for youths. Some wore black shirts, others had high-April 20 on Pushkin Square in cenwore black shirts, others had high-shaven sideburns said to be a mark the fascists pointed to their unpoof the group, and a few reportedly wore swastikas on their caps.

pularity among Moscow youth.

But as reports of the incid The plans seem to have been

known well in advance among other youths throughout Moscow, and scores of young rowdies, many from loosely united groups known as "bolelshchiki" — fans of major Soviet sports federations - congregated in the square with the intention, according to witnesses, of pummeling the fascists.

Accounts differ on what followed, but most witnesses said no demonstration ever began. Some ights reportedly broke out, but the fascists evidently were intimidated by the large number of toughs gathered in the square and failed to mount a real rally. Although the confrontation attracted a large crowd, including moviegoers from the nearby Rossiya Theater, the police seem to have been slow in breaking up the gathering.

Several Arrests But they finally did, arresting a number of youths, both fascists and bolelshchiki, according to wit-

Reports of the incident spread rapidly across Moscow, and initial-

ly were treated with widespread incredulity. Memories of the war

Reporting Award

Goes to Ottaway of

Washington Post The Associated Press NEW YORK - David Ottaway of The Washington Post has been named the winner of the Overseas Press Club's Hal Boyle Award for best daily newspaper reporting from abroad for his coverage of the assassination of President Anwar Sadat.

The press club's 1981 awards were presented Wednesday by Os-born Elliott, dean of the Columbia University School of Journalism. ABC won three of the top prizes and Kent Kobersteen of the Minneapolis Tribune won two, for his series, "Global Poverty: The Dark-

ening Future."
The Bob Considine award for best daily newspaper or wire service interpretation of foreign af-fairs was awarded to David K. Willis of the Christian Science Monitor for two articles, "On the Trail of the A-Bomb Makers" and "Soviet Memorandums."

Rudy Frey of Time magazine won the Robert Capa medal for best photographic reporting from abroad requiring exceptional cour-age and enterprise, for work enti-tled "Poland." The Cornelius Ryan award for

the best book on foreign affairs went to Pierre Salinger for "America Held Hostage: The Secret Negotiations." Betty De Ramus of the Detroit Free Press won the award for best editorial work involving disclosure of abuses of human rights abroad, with her series, "Hungry People."

against Nazi Germany and its 20 million Soviet victims remain sharply etched in the Soviet conscience, and Muscovites who heard reports of the attempted rally generally expressed shock that anyone would openly profess fascism. There was no suggestion that the "fascists" were anything more than

According to witnesses, the self- a fringe movement, or that their gathered in the evening of trend among local youths. On the contrary, the unusual unity among

> But as reports of the incident spread through the capital, Muscovites and foreigners were struck by the fact that such a movement could exist at all in the Soviet Union, when most dissident organizations usually find themselves quickly under police scrutiny and attack.

Common Knowledge

Also surprising was the fact that the planned rally had been common knowledge among Moscow youth. In fact, teachers at some schools reportedly warned students against being on Pushkin Square that evening, probably increasing the chances that the students would head for the square.

According to people with knowledge of the fascists, such groups have existed for several years in a few cities of the Russian Republic and the Soviet Baltic states. Many adherents are said to be offspring of well-placed functionaries in the Communist Party and in the Soviet state, and their tenets seem to combine ill-defined yearnings for a strong leader and iron discipline in industry and agriculture with elements of racism, anti-Semitism

and anti-Communism. These informants said the dem-

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incentive to work and with the general sense of stagnation. **Earlier Demonstrations** There have been some reports that the fascists have held minor demonstrations in such Russian cities as Kurgan or Sverdlovsk, but

these reports could not be confirmed The sports fans who confronted

Iran's Bonn Envoy Claims Police Bias

BONN — The Iranian ambassa-dor to Bonn, Mehdi Navab, accused West German police Thursday of showing bias against supporters of Iran's revolutionary eader, Ayatollah Ruhollah Kho meini, in handling violent clashes between Iranian students Saturday at Mainz University.

Mr. Navab said at a news conference that Khomeini supporters arrested by police soon found themselves "in great difficulty," whereas anti-Khomeini activists in West Germany were frequently freed soon after arrest. The clashes at the university left eight police and 28 Iranians injured.

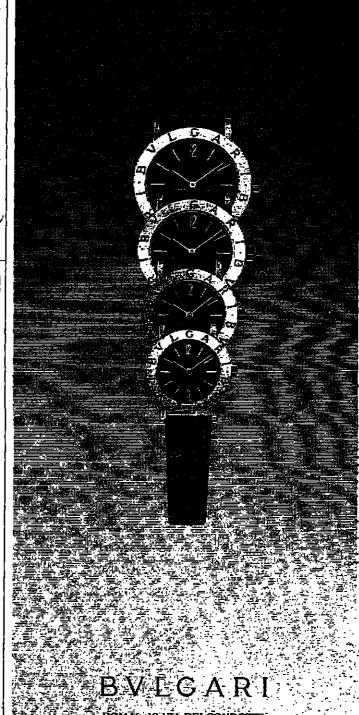
Mr. Navab said he had visited some of the Khomeini supporters under arrest in Mainz and they had claimed police had beaten them up following the clashes. Police, meanwhile, said that a group of about 150 Khomeini supporters had traveled from throughout West Germany to the campus to attack a group of anti-Khomeini

form of attacks on their spreading practice of daubing the initials of their favored clubs on walls and fences throughout Soviet cities.

The initials of the most popular teams — Spartak, the Red Army Club and Dynamo — have proliferated in recent years throughout Moscow, along with reports of rowdy and sometimes violent behavior among their followers. In Leninskoye Znamya, a war veteran bitterly complained about the spreading of the graffiti and demanded stiff fines and even prosecution for those responsible.

Although the behavior of the Soviet sports fans has never ap-proached the violence familiar in some Western cities, it has led to greatly increased police con-tingents at major hockey and soccer matches.





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A Year After Battle on Baby Food, WHO Is Urged to Draft Drug Code

By Iain Guest ral Herald Tribune GENEVA - The controversy re-

verberated on both sides of the Atlantic for weeks. It dominated U.S. congressional hearings, prompted the resignation of two senior officials from the U.S. Agency for International Development, and culminated at last year's assembly of the World Health Organization in an international code banning the aggressive promotion of baby

Now, WHO officials face growing pressure from consumer groups and radical Third World governments to draft a similar code on pharmaceutical drugs. Such a code, the officials acknowledge, would alienate some of the

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world's most powerful companies and anger the Reagan administration - which cast the only vote against the baby-foods code last year and contributes one-fourth of the agency's budget.

Whether or not this happens could depend on how Halfdhan Mahler, the WHO director-general, presents the issue to the 1982 assembly, which begins in Geneva next week. Most WHO officials expect he will present an optimistic picture; they point to the fruits of a two-year dialogue between the pharmaceutical industry and

This dialogue has, at first sight, yielded some impressive results:

• Acceptance by the industry of the principle that imported drugs can eat into the health budgets of poor countries without addressing their main health problems, which stem largely from inadequate water supplies and malnutriton.

Three years ago, WHO drafted a list of 240 "essential drugs." Large pharmaceutical companies, con-cerned at first that this would restrict their sales, now have accepted the idea, and 70 countries have drawn up lists based on the WHO

 An offer by the Zurich-based International Federation of Pharmaceutical Manufacturers Associations to provide drugs to the least-developed countries on favor-able terms. Company sources say that 43 pharmaceutical firms have offered to contribute drugs.

· A voluntary code on marketing practices, drawn up by the industry under the auspices of the pharmaceutical federation. The code states that no manufacturer shall make claims that cannot be that all products sold must "have full regard to the needs of public

supported scientifically, and it says

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for criticism from radical govern-ments such as Mozambique and Ethiopia, which already control Western drug imports; from Paki-stan, which has a large number of rural poor but would not benefit from the industry offer because it is not classified as a least-developed country; and from Easternbloc countries, which see openings for their less sophisticated pharmaceutical products in the Third World.

Involvement by the compa-nies in the establishment of nation-

al drug policies for a group of Afri-

can countries including the

landlocked nations of Burundi,

Lesotho and Rwanda, whose drug bills are disproportionately high

because of air-freight costs. In Burundi, joint missions involving WHO and the pharmaceutical firms Ciba-Geigy, Hoffmann-La

Roche, Sandoz, and SmithKline

Corp. have tentatively identified a

list of up to 15 "essential drugs." About half of these could be pro-

duced locally.

Despite this progress, both sides admit that the dialogue is now almost at a standstill. Particularly

difficult has been the problem of

defining the industry offer to pro-

vide drugs "on favorable terms." Meanwhile, waiting in the wings at the upcoming WHO assembly

will be a consumer coalition

known as Health Action Interna-

tional. The coalition was formed in

Geneva immediately after the

baby-foods debate last year, and some of its 50 member organiza-

tions have been monitoring the

baby-foods code.

The group has criticized the pharmaceutical federation code for

lacking enforcement provisions, and recently sent details of 20 al-

leged violations to the federation's

Medawar, a member of the Lon-

don-based consumer group Social Audit. "Any organization of its

standing simply has to define what it sees as unacceptable practice by

He refused to rule out the possi-

bility of a consumer boycott, similar to the boycott of Nestle prod-

ucts by the baby-foods campaign-

WHO officials also are braced

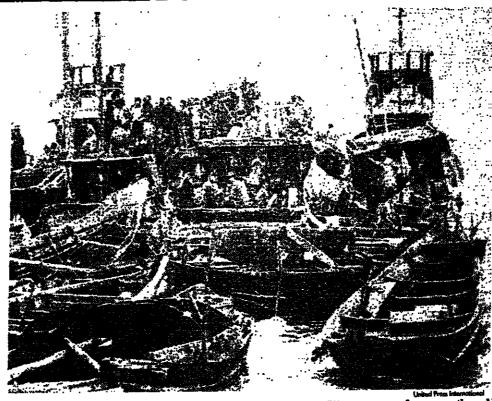
"Certainly, we would like to see WHO code," said Charles

headquarters in Zurich.

the companies.

Even within WHO, opinion ap-pears divided. Some officials feel that the agency's official goal —
"Health for all by the year 2000"
— is only attainable through drastic political change on the Socialist

At present, such notions are far from being official WHO policy, and senior officials are seriously concerned that open confrontation with the pharmaceutical compa-nies could further reduce their incentive to develop new drugs for mer of rue Pierre-Charron and François-I" in the new Nova-Park-Elysees Hotel comple use in the least-developed coun-



BOAT PEOPLE - Surrounded by their damaged boats, Victnamese refugees gathered Thursday on a larger fishing junk in Hong Kong while waiting for immigration processing.

Mauroy Repeats French Promise Of Support for Quebec 'Identity'

New York Times Service QUEBEC - French Prime Minister Pierre Mauroy has returned to Paris, leaving Quebec with a promise that France will never abandon it and will remain at its side "whatever the ways it may choose to affirm its identity."

On Tuesday, Mr. Mauroy ended six-day visit to Canada during which he performed a difficult balancing act between opposing governments — that of Prime Minster Pierre Elliott Trudeau in Ottawa, intent on keeping Quebec part of Canada, and that of Premier René Lévesque of Ouebec. equally intent on achieving inde-

While refusing to be drawn into the quarrel, Mr. Manroy managed to please both sides by insisting on his desire for "normal" and "friendly" relations with the federal government and for the continuation of "privileged" relations with French-speaking Quebec, a "branch" of a common family tree.

Mr. Mauroy asserted that compatability between the two relations was very possible and he left behind probably more good feel-ings between France and Canada than at any time in the last 15 years of often strained ties.

In Ottawa, where he began his visit on Thursday, Mr. Mauroy stressed France's desire to develop trade, economic and technical co-

But no firm decisions on largescale projects were announced by either side.

Trade between the two countries is very small and at a news confer-ence Friday, Mr. Trudeau attributed this partly to the French obsession with Quebec's status. It is an obsession that goes back to 1967. when President Charles de Gaulle went to Montreal and shouted 'Long live a free Quebec!" from

the balcony of City Hall. But on Friday, Mr. Trudeau appeared satisfied that France was no longer damaging Canadian uni-ty, saying in effect that the Gaul-list ghost had been laid to rest.

Mr. Trudeau made an effort to bring France onto Ottawa's side by pointing out to Mr. Mauroy that Quebec voters, in a referendum two years ago, had chosen to remain in Canada rather than become independent. But, Mr. Mau-roy said, "France will not mix in Canada's internal affairs."

Mr. Trudean appeared content with the apparent shift of policy by France's Socialist government away from exclusive preoccupation with Quebec and toward an interest in developing stronger economic ties with other regions.

It was in Quebec, however, that Mr. Mauroy had his warmest words. When he greeted the Quebecers, he said that they had refused to yield to "assimilation by North American Angio-Saxon society." Monday night, at an official dinner, and Tuesday, before Quebec's National Assembly, the prime minister pledged French support for whatever path Quebec chose in the future, reiterating a policy laid down in 1977 by former President Valéry Giscard d'Esta-ing during Mr. Lévesque's first vis-

The policy did not please Ot-tawa because it appeared to entime and none is expected now.

courage Quebec independence. But no great fuss was raised at the

of Tunisia.

know that in politics you can never

to the United States that includes meetings with President Reagan

In seeking to win congressional approval this month for a major

increase in foreign military sales credits for fighter aircraft and

tanks for Morocco and Tunisia,

the Reagan administration has

stressed the security threats to the

region posed by Libya. Peter D. Constable, a deputy assistant secretary of state, told the House sub-

committee on Africa last week that

Tunisia is "under direct threat from Libya and inadequately equipped militarily."

Mr. Mzali did not directly dis-

pute this assessment, but he por-

trayed the \$140 million re-equip-

ment program for Tunisia that the Reagan administration seeks to finance in different terms.

He said, "We have devoted in the past years all of our spending

to development, to education, to

health, to agriculture, and neglected the military. It is like moving

into a new house and then waiting

10 years to get any furniture, or even a door. We need a door. We

need to be able to protect our

coasis, where now we can't even

prevent foreigners from fishing our

Opponents of the sharp increases in military sales to Morocco and

be absolutely sure of anything."

and other senior officials.

Tunisian Plays Down Alleged Libyan Threat Tunisia assert that the Unitedia States is shifting the emphasis of

WASHINGTON - Col. its aid to the region away from. Moamer Qadhafi, the Libyan leadeconomic assistance and toward er, has moved away from efforts to selling military hardware to govsubvert Tunisia's government and ernments that face internal probis cooperating in lowering tensions in the region of northwestern Afrilems because of badly sagging economies, rather than direct exca known as the Maghreb, according to Premier Mohammed Mzali ternal threats. Mr. Mzali, 56, has been a lead-"He has told us he wants better

ing figure in President Habib Bourguba's Destour Party and in relations, and we have taken him at his word," Mr. Mzali said Wednesday in Washington. "We successive governments for more than two decades. He is considered in Tunis to be a leading candidate hope that this continues, even if we to inherit power from the presideat, who is 78. One of the focal points of Mr. Mzali is on an official visit discontent in Tunisia in recent

years has been spiraling unemploy-ment rates. Mr. Mzali acknowledged that at best the new five-year economic development plan, which calls for the creation of 60,000 new jobs a year, would fall 10,000 short.

There are an estimated 60,000-Tunisians working in Libya, and Col. Qadhafi appears to be at-tempting to woo Mr. Bourguiba's government with economic concess. sions after evident Libyan involve ment in a paramilitary uprising in Gafsa in January, 1980, soured re-lations between Tripoli and Tunis. The Libyan leader has visited Tunis twice this year and has signed an accord covering economic, industrial, cultural and information matters.

The Reagan administration is seeking \$100 million in foreign military sales credits for Morocco, a twofold to threefold increas over average amounts provided in the past five years. The Tunisian request, which Mr. Mzali indicated that Tunisia was still trying to get on softer terms, represents a \$55-U.S. programs for both Morocco and Tunisia programs include the sale of M-60 tanks and F-5 fight-

W.R. Burnett, 82, Hollywood Writer, Dies

LOS ANGELES - W.R. Burnett, 82, who wrote the screenplays for "Little Caesar." "The Asphalt Jungle" and "High Sierra," died Sunday.

His works had an influence in establishing several movie stars, in-cluding Edward G. Robinson in "Little Caesar," Paul Muni in

"Scarface" and Alan Ladd This Gun for Hire." His other screen credits include "Action in the North Atlantic,"
"Crash Dive." "Vendetta," "The
Racket," "Arrowhead," "Short
Cut To Hell," "September Storm."

Tom Tully From Agency Dispatches
NEWPORT BEACH, Calif. —

looking but warm-hearted characters in more than 3,000 radio, tele-vision, movie and stage producnions, died Tuesday.

Mr. Tully received an Oscar nomination for his 1954 portrayal of Capt. Devries in "The Caine

OBITUARIES

Mutiny." Other films included "Til Be Seeing You," "Destination To-kyo," "The Moon Is Blue," "10 North Frederick" and "Coogan's

Prince Kårl August REGENSBURG, West Germany (UPI) — Prince Karl August von Thurn and Taxis, 83, head of Tom Tully, 85, who played tough- the house of Thurn and Taxis, died announced Tuesday. His some Prince Johannes Baptista; 55, fie-came head of the family on his

Daisy Gordon Lawrence NEW YORK (NYT) — Dairy Gordon Lawrence, 81, the first American Girl Scout, died Mont

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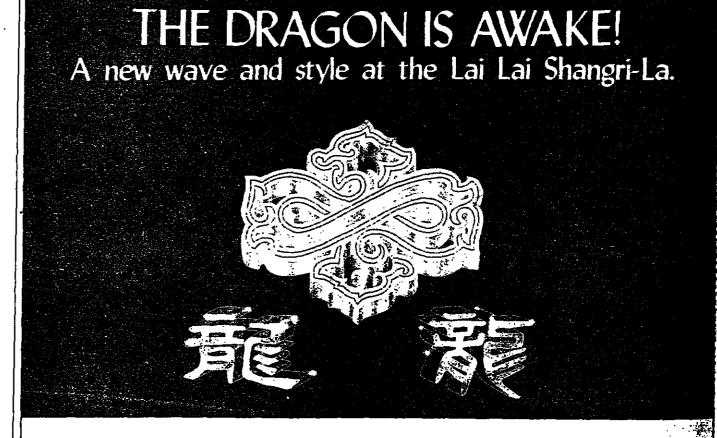
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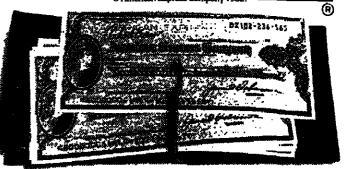
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Friday, April 30, 1982

The U.S.'s Tilsit Budget

President Reagan's journey to the Capitol for the budget negotiations was an arresting piece of political theater. The scene brought to mind the similar negotiation at Tilsit in 1807, when Napoleon sat down to divide Europe with the king of Prussia and the czar of Russia. They chose a neutral spot for the talks — a raft in the middle of the Niemen River, which separated their armies.

The two cases are not exactly parallel, of course. The role of czar has never quite suited House Speaker O'Neill. It is true that the treaties of Tilsit did not endure for long. But they held up for a few seasons - and that's more than you can say of the talks Wednesday at the Capitol. The result there was a flat collapse, after six weeks of intense work that deserved a better ending. The negotiators seem to have decided only that an open disagreement was better than the faked and fudged quasi-agreement, with loose numbers and vague promises, that seemed to be emerging last weekend. In that, they are

There are a lot of people, both Republicans and Democrats, who have a strong interest in representing this affair as only another conventional partisan collision. In fact, it began with a challenge to the president from within his own party. Last summer, senior Republicans in the Senate began to warn the White House that its projected defense spending was too high and its deficits too large. That row simmered through the fall, with the Democrats taking little part.

When the president brought out his budget in February, congressional Republicans were stunned by the size of the deficits. They began working, with a good deal of support within the administration, to convince Mr. Reagan that the deficits were too large. They persuaded the leaders of the House Democrats to join the talks. The Democrats agreed because they were hearing from home about interest rates, and the only way to lower interest rates is to lower the deficits.

But all these maneuvers and discussions kept striking one intractable reality. Mr. Reagan sees no great need to change his budget. He thinks it's fine. He doesn't believe it asks too much for defense. He thinks the deficits are all right. And because he thinks those things, no deal has been possible.

Without any further change in policy, the deficit for the fiscal year 1983, starting in October, is likely to be about \$180 billion - by far the largest, by any measure, since World War II. Congress will doubtless make some changes. But in the absence of the kind of explicit, comprehensive agreement that the late negotiations were seeking, any tax increases and spending decreases will be minor compared to that vast deficit.

At Tilsit, Napoleon, the king and the czar at least managed to get off the raft safely. At the Capitol, the barge sank, and by late afternoon the statesmen could be seen swimming rapidly for shore — all of them in different

THE WASHINGTON POST.

The 'Right' Language

Suppose a Hispanic child, speaking only Spanish, enters elementary school in the United States. Should he be taught to read in Spanish while he separately learns English? Or should he be taught only in English? One side of the debate argues that, if instruction is only in English, the Spanish-speaking child will fall behind while he learns it. The other holds that if he is taught in Spanish he will lag in his command of English.

The Reagan administration is moving, slowly, in the right direction on the highly inflammatory subject of bilingual education. The secretary of education, Terrel Bell, said last week that the federal government is dropping the misguided rules it has been trying to impose since 1975. The Education Department is no longer trying to tell local school districts they have to provide instruction in the child's first language.

The administration is quite right. The United States has now had quite a lot of experience with bilingual education, and, in most cases, such education falls in the large category of high-minded ideas that do not work well. Generally speaking, if these children are going to live and work ety, they will be better served by being taught must follow and how they must follow it. from the beginning in English.

The federal rules of the 1970s were formed under heavy pressure from Hispanic political and cultural organizations protesting that Spanish-speaking children had been neglected in the schools. In 1980, the Carter administration responded by proposing regulations greatly strengthening the bilingual requirement. That drew fierce opposition from school systems with very diverse populations of foreign-born children. It is not unusual to find classrooms in which a dozen languages are represented, including those of Vietnamese hill tribes. To teach these children in their own languages is hardly possible. If a child comes into a U.S. school know-

ing little English, he has a right to special help. That has been affirmed by the Supreme Court, and no one disputes it. The argument is over the form it ought to take. Some school systems prefer bilingual instruction, and they will stick with it. Others employ, instead, intensive instruction in English. The federal government has a responsibility to see that children get the attention to which they are entitled. But it has no business doing what the past two administrations tried to do local school systems which method they THE WASHINGTON POST.

Argentina Crying 'Spy'

Argentines don't like their country to be portrayed as brutal and lawless, a place where justice is arbitrary and prisons are horrible. But those are pretty good descriptions of what the Argentine junta has done to three accredited British journalists: slammed them into tiny cells, denied them bail and charged them with espionage.

Understandably, given the frenzy over the Falklands, Argentina is jumpy about the apparent snoopiness of these reporters from London — Simon Winchester of The Sunday Times, and Ian Mather and Tony Prime of The Observer. They were initially arrested

April 13 for behaving suspiciously — they were taking notes and asking questions — at a military base in Tierra del Fuego.

What passes understanding is why Argentina is now so determined to throw the book at the three. If for doing their job these Britons are given long sentences, Argentina adds to its reputation for savagery, and weakens its own argument that 1,800 Falklanders would be well-treated under Argentine law. There is a wiser way for Argentina to show its displeasure with Fleet Street: three oneway tickets to London.

THE NEW YORK TIMES.

Other Opinion

On U.S. Information Policy

The International Institute for Applied Systems Analysis was launched during the Nixon administration. It has become the site of joint efforts by 17 nations from East and West, studying major issues like transportation, water resources, agriculture and communications. The United States has provided about a quarter of the operating budget The Soviet Union provides a similar amount.

... However, the \$2.3-million contribution expected this year was eliminated from the ... budget and President Reagan has written ... that he planned no further official participation in the institute. Part of the administration's opposition has been justified on the grounds that it involved the risk of Soviet acquisition of information with security implications. The National Academy of Science has conducted a preliminary review rebutting this view.

... Tenser relations with the Soviet Union should not become the occasion for clostrary: There is every reason to encourage such contacts. - From The Boston Globe.

ing doors to other East European nations,

especially in generally nonpolitical organiza-

tions such as the institute. Quite the con-

A Signal to Other Arab Countries

The return of Sinai to Egypt implements one of the chief provisions of the Camp David agreements and as such represents the culmination of a long peacemaking process. ... In view of all the uncertainties, no one except the Egyptians can be entirely happy with it. ... But the return of this territory ought to be a signal to other Arab countries that much more can be achieved by negotiation than by aggression. If the situation remains stable in Sinai, it is possible that Israel itself might be encouraged to adopt a more flexible attitude toward its neighbors.

- From the Neue Zürcher Zeitung (Zurich).

April 30: From Our Pages of 75 and 50 Years Ago

1907; Berlin Builders' Strike

BERLIN - The strike in the Berlin building trade, which has been going on for some time, will soon enter a new stage. According to information received from a prominent official of the Berlin Master Builders' Association, 120,000 bricklavers and masons will be locked out by the employers. The strike, which is one of the greatest that has ever taken place in Germany, will affect more than 200,000 men of affiliated trades. The men demand a six-hour day. The masters assert that it is impossible to comply with the demand of the workmen, who are stated to earn far more than the ordinary bourgeois classes and to be able to afford luxuries unknown to the latter.

1932: Recording Breakthrough?

VIENNA - The Austrian broadcasting firm Ravag has developed an apparatus that is predestined to replace the phonograph. Instead of the normal record, a six-millimeter-wide paper ribbon is employed to reproduce music or spoken words. The new apparatus is operated by electricity. A concert or talk is recorded on the paper ribbon in a similar way as on telegraph ribbons. The tone reproduction is excellent and entirely free of the noise that a phonograph needle makes when it is in contact with the record plate. One great advantage of the paper record is its length. A normal ribbon 300 meters long can reproduce music or talks that last three times as long as those on a phonograph record.

Departing UN Rights Official: 'We Have to Speak Out'

L ONDON — On April 30, Theodoor van Boven leaves his office in Geneva and joins the unemployed. He was the director of the United Nation's Human Rights Division and the victim of one of the first executive decisions of the new UN secretary-general, Javiar Pérez de Cuellar.

Mr. Pérez de Cuellar, a Peruvian, came into office Jan. 1. On Feb. 7, Mr. van Boven, a former Dutch Foreign Ministry official long resented by many Latin American goveraments for his probing into the seamy side of their affairs, was told that his five-year term would not be renewed.

Resentment against Mr. van Boven's activities had been mounting for at least three years. But it was a speech he made Feb. 1 at the opening of the 1982 session of the Human Rights Commission that brought matters to the boil New York, which, unusually, had requested to see the speech, objected to mentions of specific countries.

Mr. van Boven's theme dealt with the commission's campaign against mass murders. On his list were Cambodia, Uganda, Equatorial Guinea, Iran, Chile, Guatemala and El Salvador. He was told that, as a member of the UN staff, it was his duty to be impartial. Mr. van Boven considered this

By Jonathan Power

view dangerous nonsense, and gave the speech as he'd written it.

The UN and its officers can't be impartial about human rights," Mr. van Boven said recently in Oxford. "The UN has proclaimed certain values, so how can we be neutral? We have to be objective, but once we have checked the facts, we have to speak

When Mr. van Boven took over the division, the Human Rights Commission saw the world through the narrow lens of the Soviet and militant Third World viewfinder. It dealt with the "classical three" - South Africa, Chile and Israel. Now the commission regularly criticizes 15 countries, including Poland, Afghanistan and a spread of Asian, Latin American and African nations.

Mr. van Boven has focused less on countries per se and more on "phenomena." He believes this has reduced the element of confrontation. In the 1970s, the commission investigated slavery; in 1980, "disappearances" and the plight of indigenous peoples; and this year, mass killings.

Did the advent to power of Jimmy Carter give the commission a push? "Future gener-

ations will pass a better judgement on him than today's," Mr. van Boven, who was in England to speak at the annual conference of the United Nations Association, said of the former U.S. president. "He gave human

rights a special momentum, particularly in those countries in the direct sphere of influence of the United States, the Latin American countries. "One can clearly see that, since Reagan came to office, there has been more East-West confrontation on the commission and a hardening of attitudes by the Latin Ameri-

cans. Immediately after Reagan was elected,

there was a wave of arrests and renewed op-

pression in Haiti. Guatemala, already bad,

got worse. So did Chile." But to Mr. van Boven's surprise, the commission continued to progress in its last seasion. "Once a movement has begun, it's dif-ficult to stop. Because of the U.S.'s more negative position, the West European countries are pushing harder." It is an interesting turnaround. Mr. Carter had to prod the Europeans when he began his human rights el-

Mr. van Boven feels the Soviets are more

at ease with the Reagan posture on human rights. Yet they have never been so much on the defensive. The commission's work on Poland and Afghanistan has left them less time to create obstacles in other areas.

An Austrian, Kurt Herndl, will take over Mr. van Boven's job. He comes from a government active in human rights. The likelihood is that the commission will commine to break new frontiers. The last session should have been a lame duck. But, as The Economist magazine noted, "Some said it was the best session ever."

It broke new ground with a report on human rights in Iran. It authorized a UN investigation of Poland and deplored Guatemala's failure to cooperate with a similar in-vestigation. There are now enough Third World and West European countries that rate human rights highly enough to drive such resolutions through. The commission may still lack bite - no one has to take any notice of its edicts - but it is becoming public standard-bearer for the half-forgotten words and pledges in the UN Charter. This

The writer is editorial adviser to the Indedent Commission on Disarmament one Security Issues.

Canadian Power Tilting Westward

By Les Whittington

OTTAWA — Canada is going through a phenome-non that the United States experienced a generation ago, as its economic and political authority gradually shifts toward the affluent Far West.

The tilt in the locus of power is causing predictable problems, not the least of them arising from attempts by Prime Minister Pierre Trudeau's central govern-

ment in Ottawa to assert its sway over the wealthiest Western provinces, Alberta and British Columbia.

But just as California has steadily grown into the most populous and influential U.S. state, so Canada's Western areas are almost certain to dominate the rest of this country in the foreseeable future.

The trend over the past decade has accelerated lately as a consequence of the recession, which has severely hit Canada's eastern industrial regions, such as Ontario, the location of the federal capital.

By contrast, Alberta continues to thrive from its oil and natural gas reserves, even though the boom of recent years has tapered off somewhat. British Col-umbia prospers from timber, coal and, especially,

While the national economy is likely to remain at a standstill this year. Alberta expects its economy to expand in 1982 by 5.5 percent after inflation. British Columbia, whose timber industry is suffering from the decline in U.S. housing construction, nevertheless anticipates a 2.2-percent growth rate. Energy resources have already made Albertans the

richest Canadians. They pay no sales tax, and they benefit from the \$10-billion Alberta Heritage Fund, amassed from petroleum revenues.

The province's annual per-capita product, the sum

of the value of its good and services, is \$12,200; industrial Ontario's is \$9,500. Alberta's position as the Saudi Arabia of Canada has given its premier, Peter Lougheed, a strong voice in the decentralized federal structure, under which the provinces control their natural wealth.

Attracted by the lure of prosperity, increasing numbers of Canadians are moving westward. Census figures to be published later this year will show that not only Alberta and British Columbia but two other Western provinces, Saskatchewan and Manitoba. have gained in population.

This means the West will have more seats in the federal legislature, a development that will further crode the political influence exercised by Ontario and

Quebec, the traditional power centers. Unsurprisingly, the population drift has created lo-cal tensions. Westerners denounce Eastern migrants "creeps and bums" who drive up the crime rate, while the Easterners refer to Westerners as insensitive

More important, however, has been the strain put on the fabric of the Canadian confederation as a result of Trudean's efforts to resist the regional pull

In a move to curb the rising influence of Alberta and other Western provinces, Trudeau sought to set the price of Canadian oil and determine the central government's share of oil revenues, estimated to total \$212 billion between 1981 and 1986.

This attempt, which triggered a bitter dispute, ended last fall after protracted negotiations. But the Westerners, led by Lougheed, still harbor grudges against Trudeau, whom they accuse of fixing Canada's tariffs to favor the East.

This friction has spawned separatist sentiment, which was not taken seriously until this winter, when a rightist former rodeo rider won an Alberta by-election espousing independence for the province.

His victory prompted the conclusion among politi-cal analysts that Western alienations in Canada may be considerably more profound than they had previously calculated

Should the push toward separatism gather momen-tum, Alberta would be a prime candidate to break away. Though oil and natural gas have been its mainstays, it is now diversifying into other industries, such as petrochemicals. With its economy in good health, Alberta also has a flourishing construction industry, so its unemployment rate is less than half the national

A more plausible alternative to a breakaway, though, might be the emergence of a Westerner as prime minister to supplant the easterners who have mostly held the job until now.

Written for International Writers Service.

Polling: Witchcraft as a Science

By Daniel S. Greenberg

ASHINGTON -The new sorcerers of U.S. politics, the opinion surveyors, claim skill at divining what Americans think, and now, in an in-trospective study of their craft, they have charted ways to become even better. But a look at that study and its many confessions of weakness invites wonder as to how an enterprise as intellectually threadbare as polling has managed to become the modern navigation system for public affairs.

The study. "Surveys of Subjective Phenomena," was carried out by a committee of academic and government survey specialists under the auspices of the high temple of U.S. science, the National Academy of

Defining "subjective phenomena" as matters "directly observable" only by the person being ques-tioned — such as ratings of presidential performance or assessments of personal happiness - the committee noted that surveys of such matters are important because "they can affect public discourse and public decision making." The committee added, "Surveys have become an ubiquitous component of social life in America," and reported estimates of 20 million survey interviews a year in the United States.

tee concedes they often are not — how reliable are these surveys? The answer, provided for public consumption in a plain-language summary of two scholarly volumes soon to be published, provides ample grounds for dismay.

public...there exist numerous causes for concern both about common practices and also about the foundation of basic knowledge on which contemporary practices rest."

In regard to the first concern, the committee said that surveys so easily lend themselves to political ma-nipulation through loaded questions and selective release of findings that the misuse problem might be the subject of a separate inquiry. But even assuming

Properly performed and interpreted — the commit-

The committee reports that, while surveys have "notable (and not well-understood) effects on the

it is evident from the commit tee's observations that the best intentioned, executed and interpreted surveys may be more in the realm of witchcraft than science. Noting that the "conceptual foundations for much

ongoing survey activity are not firm." the committee reports that "the process by which respondents inter-pret survey questions and formulate answers to them not yet well understood." What is known is that seemingly trivial changes in wording can produce big shifts in responses, as can the sequence in which questions are asked. For exam-

ple, in one classic experiment, 54 percent answered "yes" when asked, "Do you think the United States should forbid public speeches against democracy?" When "forbid" was changed to "not allow," 75 per-cent answered "no." The committee reported that the interviewer's techniques and manners can have an effect on the outcome of the interview. Once the results are in, "a great deal in the way of 'psychologizing' seems to be involved in the interpretation of survey data, but the psychological theory involved is almost wholly im-

plicit and incoherent." These and similar findings are the work of a friend-

or and wants to improve its reliability.

For census taking, and planning for public health, housing and schooling, surveys are, of course, indispensable. It is their insituation into politics — under the following surveys are and a schooling surveys are solvential to the school of respection to the school of the false colors of scientific technique - that warrants serious concern. Even this friendly committee observes: "Because poll and survey results can be manipulated and because of the resources needed to conduct them, one must question the claim that these methods necessarily lead to the democratization of political and social decision making."

The writer is editor and publisher of an independent newsletter, Science & Government Report.



"They must be scared to death by now."

Letters

Albion Response

Regarding Eric Ertman's letter (IHT, April 22): His glib assertion that Albion has often dragged her feet before the fray is one thing, but to accuse her of doing so, as he puts it "in the last great unpleasantness," is quite another. I would ask him who was the first country and who for a year defied the Ger-man dictator alone in 1940-41? Albion wasn't exactly doing the Can Can but it certainly wasn't the soft shoe shuffle. I shudder to imagine the state of Danish culture today without Albion's footwork in the grim days of 1939-45.

NICHOLAS FITTON. Issy-les-Moulineaux, France.

Soviet Influence

I thoroughly approve Mr. Wil-liam Safire's analysis (IHT Mar. 6): The big American press has finally started to perceive that Soviet influence is being established in Iran; and that in fact, the Sovietization of Iran is already well advanced. I would however like to stress three points:

1. Apart from their efforts to Sovietize Iran, under cover of a false Islamic fundamentalism and through their agents disguised as ayatollahs, the Russians are at present trying to make a break-through towards Baluchistan. They are very active on both sides of the horder. This will eventually lead them to the warm waters of the Indian Ocean, and will also allow them to destablize Pakistan. 2. By rapidly reinforcing and building up the Revolutionary Guards, the Tehran regime tries to

counterbalance the little power left in the armed forces. The Revolutionary Guards have just acquired

their first armored division. Their arms come from Eastern Europe, also their advisers and administrators. Soon they will become the principal force within Iran.
3. The salvation of Iran can only

come from within. There are numerous networks, mainly nationalists, fighting from within Iran against this regime. The Western media ignore them. If these patriotic groups received even a tenth of the interest and help that the West accorded to Khomeini not long ago, they would be capable of taking the upper hand in the situa-

H. NAHAVANDL Paris

Economic Sanctions

One of the causes of the First World War was that the Austrian-Hungarian Monarchy wanted to weaken and punish Serbia for her propaganda to promote the seces-sion-movements of the South-Slavic nationalities in the southern parts of Austria and of Hungary. The monarchy employed prohibitive measures against the import of Serbian goods, a policy that was conducive to the war, most wars have economic causes. The hostile policy of the U.S. government against the Soviet Union and Po-land goes farther than did the monarchy against Serbia. The U.S.A. tries to force its allies and even neutrals — to employ in-imical commercial, financial, technical and cultural measures against these two countries; such a harsh policy would in the past have already led to a war; it would lead to it now if there were no deterrence the nuclear, chemical and

ROBERT MAJOR.

biological arms.

Class Bias, Reduced Opportunities in U.S. Education Cuts

WASHINGTON — In the United States, unlike Western Europe, much of the cost of a university education is paid for directly out of the pockets of parents. With the annual cost at more than \$12,000 a year at many good private universities, more and more of the middle class is being priced out of the market.

That may not be so terrible for all students, as there are four public universities in the United States for every private institution, and they are substantially cheaper. But it could be very bad for the

private universities. At the turn of the century, the ratio was exactly the opposite of what it is now. For every public university there were four private schools. The change has been taking place at a rate of about I percent a year. This is of great concern to ad-ministrators and educators in the

private system. They fear that Reaganomics and the anti-aid-toeducation bias of the Reagan administration will produce further reductions in the number of private colleges. The problem in the United States is much different from that faced by Western European coun-

tries. Higher education in much of

12.5 percent of all 18-year-olds go to a university. Those Europeans who do go, though, are heavily subsidized. They generally pay no unition, and they get some combi-nation of grants, loans, subsidized food and lodging, and tax breaks. In the United States, more than

50 percent of high school graduales attend universities. A few get grants, but for the most part their parents pay or the students take loans, which are subsidized; eligi-bility is based on income. For practical purposes, families with incomes above \$30,000 a year do not qualify.

European governments may be forced during hard times to cut direct aid to universities, which would result in reductions in faculty or sometimes in fewer places for students. But most students would still be able to attend, and at relatively little cost.

In the United States, the ability to get a subsidized loan can be the difference between attending or not attending a university for hundreds of thousands of young people. That is in good measure why the U.S. education establishment is so vehemently opposed to Presi-Europe is still primarily for an dent Reagan's efforts to save mon-elite. In Britain, for example, only ey by raising the cost of some stuBy Stephen Klaidman

dent loans and eliminating others.

They do not agree with budget director David Stockman, who said: "If people want to go to college bad enough, then there is opportunity and responsibility on their part to finance their way through the best way they can."

And they do not agree with Treasury Secretary Donald Regan, who worked his way though the result and thinks today's students.

vard and thinks today's students should do the same. The educators the poor don't go at all. point out that there are 10 million unemployed Americans and precitions in that approach, which con-

ous few part-time jobs that pay \$12,000 a year. The philosophy of the Reagan administration seems clear enough: The primary cost of postcompulsory education should be borne by the student or his parents, not by the government. That suggests a trend in which the rich go to a diminishing number of private universities, middle-class stu-

dents go to public universities and There are obvious class implica-

flicts with the basic focus of U.S. educational policy for generations. It also takes no account of the advantages to society of giving the brightest students, irrespective of family income, the best education-

al opportunities. There is no question that the extremely high real cost of money in the United States has made it much more expensive to subsidize student loans. But who has calculated the real cost of further cuts in the number of private universities and the loss of several hundred thousand graduates annually?

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Cheval Blanc: An Extraordinary Wine Tasting

By Terry Robards
New York Times Service NEW ORLEANS — One of the

more extraordinary tastings ever conducted in North America took place here over the weekens when the wines of Château Cheval Blanc, in 36 vintages dating back to 1911, were evaluated by a group of expert palates from all over the United States. One basic conclu-sion was that Cheval Blanc, a richly flavored Bordeaux that lacks the fame of Lafite, Latour and some other châteaus, deserves to be on the same explied level.

The event was unusual because no similar collection of Cheval Blanc is believed to exist anywhere else - not even at the château, a white stucco mansion that stands amid the vines of Saint-Emilion. an important district in the Bordeaux region of France. The tast-ing was believed to be the first at which so many vintages of Cheval

Blanc were sampled. The 1947 and the 1929, said by some connoisseurs to be two of the finest red wines made in this century, were exquisite, fully justifying their reputations. The 21 showed traces of its former style and the '49, '53 and '59 were clearly on a par with the best Bordeaux in those vintages, in the opinion of this participant. The general level of quality of all 36 vintages was

extremely high.
That Chateau Cheval Blanc should men't such accolades will come as no surprise to modern-day connoisseurs of the red wines of Bordeaux, for they have always ranked Cheval Blanc among the foremost wines. But it has never

June 5

June 8

and 9

been accorded the same recogni-tion as other Bordeaux estates with reputations that extend beyond the world of the connoisseur into that of the knowledgeable consumer.

The reasons have to do with geography, tradition and the structure of Bordeaux society. The 86acre vineyard of Cheval Blanc is 20 miles inland from the east bank of the Gironde estuary, where the city of Bordeaux lies, and the so-called east bank wines have never had quite the same cachet as those from the more western districts, Médoc, Graves and Sauternes, which are more accessible to the

The wines of Saint-Emilion and the neighboring inland district of

By William Weaver

International Herald Tribune

FLORENCE — Traditionally, the Maggio Musicale Festival here opens with a grand, gala new opera production, which, then, often remains the major event of the

whole program. In recent years,

the conductor of that inaugural opera has been Riccardo Muti,

and his versions of works as varied

as Gluck's "Orico" and Verdi's

"Otelio" have attracted interna-

tional attention and acclaim. But

the 43d Maggio, which opened Tuesday, was ushered in by a con-

cert. Fortunately, Muti was again

The opening was to have been Stravinsky's "The Rake's Prog-

at the heim.

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Pomerol could not be as readily marketed as those from the Bordeaux districts closer to the seaport, so they did not develop followings abroad until long after the others. Their situation also meant that their producers were not as readily accepted in the up-per levels of Bordeaux society, and

this too hampered their wines

In 1855, when the wines of the Gironde were classified on the basis of quality at an exposition in Paris, the wines of Cheval Blanc and the other estates of Saint-Emilion and Pomerol were excluded. Not until this century did they begin to win recognition among connoisseurs. The four châteaus desig-

ress," but because of some dissen-

sion between the conductor and

ment (now in a state of awkward

transition, after the resignation of

Massimo Bogianckino as general manager), Muti declined to con-

duct the work - which will be giv-

en later in the spring - and sug-

Muti in Florence as an orchestral

conductor, the role which has won

him fame and the prestigious di-rection of the Philadelphia and the Philharmonia orchestras. Muti's

program and his interpretation of

it were as thrilling and memorable as anything he has done here in the operatic field.

To show off the capacities of both the Comunale chorus and or-

chestra (which have made im-

mense progress in recent years under Muti's tutelage), the conductor decided to perform three taxing choral works: The Cherubini C-

minor Requiem, The Stravinsky "Symphony of Psalms," and the

Verdi Te Deum, all representing an important moment in the cre-

ative lives of their anthors and all

of major significance in the history

also recorded recently), Muti drew from the orchestra and chorus a

hushed, private sound, rising, when necessary, to majestic vol-ume — the Requiem, after all, was written for a king — but never to sheer, uncontrolled noise. While

allowing the composition all its solemnity, he still indicated — without insistence — its hint of

Stravinsky a Contrast

The stark but affecting Stravin-

sky made a splended contrast, with

its percussive use not only of the

Here, too, the irrepressible lyrical moments were not slighted (the ex-

posed woodwinds, it must be said, were efficient, but could have been

Impressive as these two interpre-

tations were, the Verdi Te Deum

was the overwhelming hit of the

evening. This work, written only a

few years before the long-lived

plexity, its prayerfulness, demon-

strated the conductor's total affini-

gram) sang the brief solo simply

and movingly from the ranks of the chorus. The audience — some of whom may have recognized her

- were on their feet at the last

note, in a grateful ovation: for Muti, for Verdi, for everyone.

This inauguration of the Maggio

was, perhaps, unorthodox, but it was a great occasion.

struments but also of the

DOTE SURVE).

For the Cherubini (which he has

of European music.

Surely, it is no penance to hear

gested a concert in its place.

Teatro Comunale's manage

great growth in 1855 were Lafite, Margaux, Latour and Haut-Brion; Château Mouton Rothschild got the same ranking in 1973.

The vineyards of Saint-Emilion did not receive their own official classification until 1955, when Cheval Blanc and Château Ausone were designated as the two leading producers of the district.

Cheval Blanc was the last of the top-rated red-wine vineyards of Bordeaux to be established. In 1832 a parcel of 37 acres was split off from the neighboring Chateau Figeac, and 37 more acres from Figeac were added in 1837. The assemblage was completed in 1854 with 12 acres more.

Family Ownership

The property has always been owned by the Fourcaud-Laussac family, and a descendant, Jacques Hébrard, is the current proprietor. No other major Bordeaux estate has been under continuous owner-

ship for so long.
It was the Cheval Blanc 1921, according to most accounts, that placed the estate firmly in the front ranks, and the '29 confirmed its quality. The '47, considered by many connoisseurs to be the best Bordeaux of that vintage, is ranked with the Chateau Margaux 1900 and a handful of others among the st reds of the century.

Lloyd C. Flatt, an aerospace consultant based in New Orleans, and Dr. Marvin C. Overton 3d, a neurosurgeon from Fort Worth, Tex., were the prime movers be-hind the Cheval Blanc tasting. Both are avid collectors, with per-sonal cellars in the 20,000-to-30,000-bottle range. They and nine other highly experienced tasters gathered in the Marie Antoinette Hotel on Sunday at 11 a.m., the time of day considered ideal for tasting wine because the palate and the mind are fresh.

and the mind are fresh.

The tasting began with the 1943 vintage, poured into some of the 10 dozen Tiffany glasses purchased by Flatt for the occasion, and proceeded through the 1945, '47, '48, '49, '50, '52 and '53. These wars expected to be at the optiwere expected to be at the opti-mum maturity for drinking and that is the way they turned out.

Controversial Judgment

During lunch, a show of hands was taken, and the '47 received more first-place votes than any other. Because of more numerous second and third-place votes, the '49 was judged the group's favor-ite, although this method of scor-ing aroused controversy. The '47 was clearly the most musual wine of this grouping, displaying great generosity of fruit.

Later came the 1933, '34 and '37, followed by the 1911, '19, '21, '23, '24, '26, '28 and '29, and then the 1955, '57, '58, '59, '60, '61, '62, '64 and '66. The final flight consisted of the 1967, '68, '69, '70, '71, '76, '78 and '79. The 1975, considered excellent, was omitted by

Showing especially well besides the wines in the first flight were the 1911, '21, '26, '28, '29, '34, '59, the wines were generally too young and astringent to assess accurately after nearly seven hours of tasting. Palate fatigue had set in.

ty with the piece and the performers' total agreement with Mun's views. With praiseworthy abnegation, the acclaimed young soprano Cecilia Gasdia (unlisted in the pro-Vatican Art Going to U.S.

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Lou Bennett at the organ.

By Michael Zwerin International Herald Tribune

DARIS - The Hammond electric organ was invented in the 1930s and first came to the attention of the public through Ethel Smith's renditions of such num-bers as "Tico Tico." It was called

the "skating rink sound."

For the first time, it was possible to reproduce string sections, flutes and marching bands electronically. Hammond organs filled football stadiums and gigantic theaters such as the Radio City Music Hall with an enormous variety of electrically produced sound textures. They also began to be heard in churches too poor, small or mod-

ern to have pipe organs.
Wild Bill Davis hooked a standard B3 model to a Leslie ampli-fier in the 1940s and the Hammond began to swing. The Leslie gave certain stops a hard edge that resembled a big band, and its solo lines were fine and clear. The first time Lou Bennett heard Davis in Atlantic City in 1949 he knew his days as a mediocre pianist were

Bennett had worked in Ruffo's shoe repair shop in Baltimore since he was a kid. He played piano on weekends, but competition was rough and he had enough sense to realize how risky it was to bet your iffe on being a mediocre planist. The organ field was thin, however, and there was increasing demand for that contemporary sound. Ruf-fo loaned him the money to buy his first Hammond, and he became a full-time musician.

a full-time musician.

The Hammond's two keyboards and foot-pedal console provide an eight-octave range. Coordinating solo lines, keyboard accompaniment and pedal bass is extremely difficult. Most organists are former pianists, but Bennett figured having played tuba in the army gave him an edge because it had helped develop a good instinct for bass lines. He worked hard on the pedals at the beginning.

pedals at the beginning. There was at least one organ bar in every East Coast city during the 1950s. They were called "hot houses." The new breed of jazz organ-

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Jazz the Organic Way ists such as Jimmy Smith, Johnny "Hammond" Smith, Bill Davis and Bennett played heavily bluenoted, intensely percussive riffs that sold a lot of liquor, and you could get big band power with only three men. It was sweaty mu-

French impresario Daniel Filipacchi - now publisher of Paris Match and Pariscope - brought Bennett to Paris in the early 1960s. He sensed a potential commercial talent to rival Jimmy Smith, who had had a couple of successful rhythm-and-blues albums in the United States, Although Bennett's album "Amen" was a best seller in Europe for awhile, he chose anoth-

"Me and Jimmy Gourley and Kenny Clarke were the house band in the Club Blue Note off the Champs-Elysées for eight years," he said. "I made three commercial records, but later when I listened to them I was ashamed. I had something else in mind. I was under the tutoring wing of Kenny Clarke [the father of bebop drumming] and when the lork came I chose to stay in the Blue

Note and play jazz." He began to build up his own circuit, working in Spain every summer. He learned Spanish and rented a small farm near Barcelo-na. He and his German drummer made a pact. I spoke in English and he answered me in German. Soon I could make my way in Germany without a translator."

Meanwhile the Hammond got lighter and smaller thanks to microtechnology and this changed his life. He and his wife could spend the entire summer on the Spanish farm, from which he carries his state-of-the-art hardware on planes and trains to work anywhere in Europe, instead of having to drive that old piece of heavy furniture

Synthesizers

"I got fired from my first job in 1949 because I made too much noise," he said: "But last year I lost a job because I did not make enough noise. Times have changed. You have to keep up. I mean, you want to avoid gimmicks, but if a synthesized string section is used well, it's valid. It was time for the jazz organ to evolutionize."

He decided to drop one of the

two Hammond keyboards in favor of a synthesizer, to hook a synthesized bass guitar sound to the pedals, and to build the system himself. This involved connecting more than 300 cables. When he picked up the kit from the manufacture of the connection of the con facturer in Germany, "I ssked the guy why he didn't have a distribu-tor in France; why I have to travel 600 kilometers every time I need a spare part.
"He said they didn't have one in

Spain, Italy or France because the market wasn't there. When you build one of these things you are not supposed to think for yourself, just read the instructions. He said: Latins are as intelligent as we are but they can't follow orders." Bennett, who is 56, laughed at this European foible. He is well integrated into European life, some-

times inadvertently injecting a French or Spanish word. This is rare for American jazz musicians. some of whom live in Europe for as long as 15 years without developing an understanding of local customs or politics or learning the language.
"I've weighed whether living in

Europe has been good for my career," he said. "I think I might have made more money had I stayed in the States. On the other hand, I would have spent more. Over there, people keep buying things on credit and they can't af-ford to lay back for a few months or get sick. Here I can slow down when I want to."

Lou Bennett: Hotel Méridien. Paris, through May 8.

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Limitations Sought On Borrowing Abroad

ROME — Italy has begun to take steps to limit the size and rate of growth of its enormous foreign borrowing.

With \$33 billion owed in mediwith \$33 billion owed in medium- and long-term loans and \$13 billion outstanding in short-term loans, Italy is far and away the most indebted of any industrialized country. Moreover, it ranks well ahead of any socialist economy, including Poland (\$26 billion) in terms of foreign debts, and, if the developing countries are considered, it ranks third in the world, trailing only Brazil and Mexico. trailing only Brazil and Mexico.

But whereas Eastern European and some developing countries are now being shut out of the credit markets, Italy still has access to them. Its borrowing needs, mean-while, are still expanding. "The Euromarkets are awash with liquidity," says Mario Sarcinelli, director general of the Bank of Italy, "and Italy is still regarded as a good borrower with no debt ser-

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Mr. Sarcinelli's observation, supported by other Italian banking and government sources, may come as a surprise.

Euromoney magazine, for example, recently dropped Italy to 31st from 16th place among all countries in terms of credit risk. Italian loans on the Euromarket are now being given an average "spread" of 0.58 percent above the London interbank offered rate (Libor), the highest among major industrialized countries (Britain's average spread is 0.31 percent and France's

But Italy is still regarded as a good credit risk, sources say, be-cause of the inherent dynamism of its economy. Furthermore, economic statistics about Italy are no-toriously misleading, and there is a widespread belief that the country has the capacity for significant, long-term productive growth.

Three months ago, Mr. Sarcinelli said that Italy would need to borrow a further \$6.5 billion in

will need to borrow \$4 billion this year to refinance debts coming due and will require an additional \$3 billion to \$5 billion in new loans, for a total of \$7 billion-\$9 billion. Italy borrowed \$2.7 billion in 1978, \$3.6 billion in 1979, \$7.1 billion in 1980 and \$10 billion in

1981. This rapid increase in foreign borrowing, sources say, is caused primarily by two factors;

The worsening of Italy's balance-of-payments situation since

• The fact that the continued rise of the government deficit which, combined with ceilings es-tablished by the Bank of Italy on the amount of money banks can loan out, has forced potential borrowers to look abroad as domestic credit sources have been depleted.

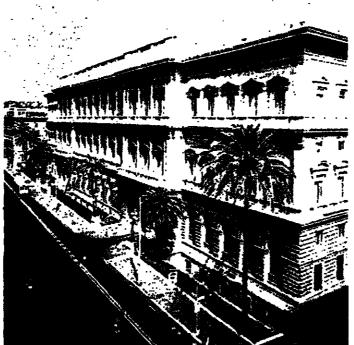
How much more money can Ita-ly afford to borrow? "We're alredy badly over-borrowed," one bank economist said, "and we will probably go over \$60 billion in the next few years. This we might be able to handle, but I don't think we can afford to double the amount we

The Treasury Ministry and the Bank of Italy recently set up a "consultation system" — some-times called a "queueing system" — for approving foreign loan requests above \$100 million. Every two months, representatives of the two bodies meet with potential borrowers, usually state-owned companies or agencies, to discuss market developments and prospects. Loan requests are assigned priorities — by consensus if possible. The balance sheet of a prospective borrower is an important consideration, sources say, but not

Equilibrium' Sought

One goal, says Mr. Sarcinelli, who is largely responsible for setting up and administering the con-sultation system, is to establish "equilibrium" in loans coming due from year to year.

"The Treasury," he says, "won't allow a degree of indebtedness 1982. Now he is revising that fig-ure slightly upward. Italy, he says, not be fully serviced in that period. Loans with fixed interest rates, not be fully serviced in that period. Loans with fixed interest rates,



Italy's central bank, on the Via Nazionale.

Otherwise, the transfer of interest would go way up and Italy would begin to have some of the same problems suffered by less devel-oped countries, which have to struggle constantly with balanceof-payments problems." He esti-mates that Italy will be paying \$3.5 billion abroad to service its loans until 1984 and \$4 billion a year af-

Variable Rates

A second goal is to take out future loans, whenever possible, in Deutsche marks rather than in doilars. At present, three-fourths of Italy's foreign loans are denominated in dollars. Since 1979, when the recent borrowing spurt began, the dollar has increased in value to more than 1,300 lire from 800 lire. As Italy must use lire to purchase dollars to repay its dollar-denominated loans, this has meant, in effect, that it has been paying an additional 20-60 percent on its loans solely because of the dollar's gains against the lira.

Loans with fixed interest rates.

are virtually rejected out of hand: More than 90 percent of Italy's recent foreign loans have carried variable or floating interest rates.

Another way in which Italy is trying to reduce the impact of its foreign borrowings is by increasing foreign assets of its own, particularly by expanding export credits. In this way, the money received from Italy's borrowers could be used to pay its creditors.

A list of the nation's major borrowers abroad in 1981 reveals the degree to which state-owned companies, with large debts of their own, are involved in foreign borrowing: ENEL, the state utility, \$1.65 billion; ENI, the state energy and chemical company, \$1.35 billion; Cassa per il Mezzogiorno, the state fund for developing the south and for distributing earthquake relief money, \$1.1 billion; Ferrovie dello Stato, the state railroad, \$700 million; Isveimer, the development bank for southern Italy, \$400 million; IMI, the government longterm credit agency, \$375 million;

(Continued on Page 10S)

As Problems Confront Policy-Makers

Nation Still Banking on Tight Money

R OME — Cabinets come and go in Italy, and with them the ministers — of budget, treasury and finance — who bear the politi-cal responsibility for various as-pects of economic policy. But there is a consensus that the real reposi-tory of economic wisdom lies else-

and the ministry shared by treas-ury and budget stands a three-story 19th-century building, flanked by palm trees, that since 1893 has used Italy's central bank.

Like most central banks, the Bank of Italy on Rome's heavily trafficked Via Nazionale regulates monetary and credit policy, de-fends the lira, and regulates the country's banking system.

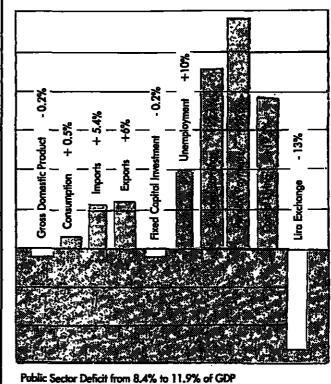
But in a country characterized by political instability, over the years it has come to be regarded as one of the most, if not the most, powerful central banks in Europe. seen, since its inception, as a pillar of tradition, its governors — seven in the century — have been technocrats emerging from Italy's economic establishment.

A bastion of pragmatism rather than of conservatism, bank officials have been trying, since 1979, to reel in a headstrong, overheated economy by means of a restrictive monetary and credit policy that to the outside observer is strongly reminiscent of the strict monetarism adhered to elsewhere.

The bank's present governor, Dr. Carlo Ciampi, has kept the dis-count rate at 19 percent since March of 1981, when it was raised

The credit ceiling, the limit on the total amount that all banks are allowed to lend, was 30.76 trillion lire in 1981. The central bank, exercising its right to continue to im-pose the ceiling, increased it by 14.6 percent to 35.24 trillion for 1982. Following the Bank of Italy's lead, the Italian Banking Association held the prime rate at 22.5 percent from March, 1981, until March 1982, when a modest reduction to 21.75 percent was permit-

How the Italian Economy Fared In 1981 Compared With 1980



This tight-money policy has brought some success. Inflation, for example, which reached 22 per-cent in 1980, dropped to 20.6 per-cent last June, to 18 percent in December and to an annual rate of 16.1 percent this March. Since 16 percent was the government's goal for the end of 1982, Italy now finds itself in the rather unusual position of having arrived somewhere nine months early instead of a few years too late.

There are negative signs for the economy along with the positive ones. And what is crucial about

these negative signs is that they are occurring in those areas that Dr. Ciampi has indicated as the most important ones for the recovery of the economy.

The first of these is the government deficit, which Treasury Min-ister Nino Andreatta is struggling to hold to 50 trillion lire this year, but which seems more likely to approach 55-60 trillion lire.

Wage increases, which last year amounted to 7 percent in real terms, are a second problem. Italy's unions have so far resisted all government attempts to modify Italy's scala mobile, or quarterly wage indexation system, and after eight months of fruitless talks, discussions have now broken down. leaving the government with a series of difficult contract negotia-

Inventories Down

A third disturbing sign is that disturbing sign is disturbed. months, may soon begin trying to 1 restock them, possibly provoking a (8) new round of inflation. In this (6) kind of atmosphere, the bank's strict monetary and credit policies are likely to be maintained indefi-

In trying to defend the some-what fragile lira against other cur-rencies, the Bank of Italy has been and increasingly forced to draw upon 34. its reserves, which have dropped from \$48.9 billion in December to \$47.9 billion in January and \$46.8 billion in February. On January 31, reserves consisted of \$8.23 billion in European Currency Units, \$9.56 billion in foreign currencies and \$29.99 billion in gold.

Further pressure on the lira has come from the necessity to repay and foreign loans and from a negative in balance of trade.

In February, Italy suffered a record monthly balance-of-trade and deficit of \$2,22 billion. For Janu-vez ary and February together, the not trade deficit was \$3.4 billion. Duriing this period, however, Italy recorded a surplus in all goods, ex-necept oil, of \$265 million, a surplus wiped out by a net oil deficit of \$3.67 billion.

A recent decline in oil prices has been canceled out by the dollar's gains against the lira, with the effect that Italy's oil bill is still rising. The lira was devalued by 6 percent against other European Monetary System currencies in March, 1981, and by a further 3 percent in October of the same year. While it has declined dramatically against the dollar since, it

(Continued on Page 10S)

'A Delicate Phase of Transition

Giorgio La Malfa is Italy's minister of budget and economic plan-By Giorgio La Malfa

ROME — The economies of Western Europe are in a delicate phase of transition. A decade of enormous economic upheavals, two oil crises, devaluations and re-valuations of key currencies, high interest rates and the rise of new industrial societies have created the need for profound economic

Italy, where effects of the changing lira-dollar exchange rate have amply demonstrated the vulnerability of the economy to international influences, is no exception. Some encouraging indicators

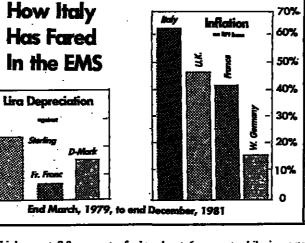
year, 1982 will be a year of greater stability. But serious problems persist that call for vigorous medium-Once again, as in 1963, 1974 and 1976, the current account of the Italian balance of payments has

shown great sensitivity to restrictive demand policies. Although for 1981 as a whole the estimated cur-

suggest that, compared to last

30%

the previous trend of faster growing imports than exports was reversed, with exports exceeding imports by about 19 percentage points. In real terms, exports grew rent-account deficit is expected to



remain high — at 2.3 percent of gross domestic product — a remarkable improvement was registered in the course of last year.

by about 6 percent while imports fell by 5 percent, leading forecasters to revise downward the expected current account deficit for 1982 Between June and December,

from 6,500 billion lire to 2,500 billion lire. And while this figure may be on the optimistic side, there is every reason to expect the deficit of gross domestic product.

The improvement in the current-account deficit allowed the govern-ment to lift a compulsory deposit on imports earlier than was scheduled. In addition, the level of foreign-exchange holdings — which over the first five months of the year had declined by almost 50 percent, to \$5.5 billion — rose by the end of 1981 to \$9.7 billion. Another positive sign is the slowdown in inflation. The rate of increase in consumer prices declin-

ed fom 21.3 percent in December, 1980, to 18.1 percent in December, 1981, and by the end of February, 1982, there was a further drop to

Practically Stagnant

It cannot be denied, however, that the improvement in the cur-rent account balance and the slowdown of inflation were achieved at

After two years of growth at 4 to 5 percent, in real terms, last year the GDP was practically stagnant. Unemployment, now affecting 2.3

Banks Meet Competition With Adaptability

R OME — All last year, Italian bankers complained vociferously about "disintermediation," the process by which bank deposits are diminished because potential depositors choose to do some-thing else with their money. An impressive and unprecedented total of three-fourths of all new savings is now going to buy treasury bills called BOTs and CCTs, and other related government money market instruments.

The consequences of this trend have been dramatic. In 1980, with an inflation rate of about 22 percent in Italy, bank deposits grew by only 13 percent. In 1981, when inflation advanced at only a slightly lower speed, the growth in deposits slid to 9.1 percent.

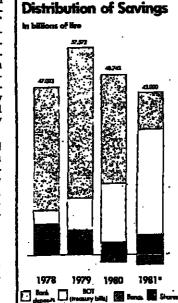
Profits Increasing

In real terms, therefore, deposits have been falling by about 10 percent over the last two years. And the trend is continuing. On

Feb. 1, 1982, according to the Bank of Italy, total banking deposits in the country stood at 278.5 trillion, a drop of 2.8 percent from January

Yet, in the last few weeks, one Italian bank after another has announced significant increases in net profits for 1981, increases averaging about 50 percent to 60 percent above those posted in 1980. Given the decline in deposits, the general slump being felt by the Italian economy and the continuing credit squeeze being applied by the Bank of Italy, the performance

From the saver's point of view,



it is easy to see why Italians are buying BOTs and other govern-ment certificates instead of putting their money into the banks.

BOTs are not subject to the same 20-percent withholding tax as is the interest earned on bank deposits. Moreover, the interest rates they earn are a lot higher.

In 1981, while the interest paid on various three-month, six-month and 12-month BOTs varied between 18.04 and 22.04 percent, bank deposits were paying an average of only 13.33 to 13.44 percent. and 19.02 percent. And in practice, interest rates on bank deposits often fall well below 10 percent.

How then, in this kind of financial climate, have the banks been able to generate such a high level of profits? Top banking and government sources point to three underlying reasons.

First, there is a large differen-tial, or "spread," between what banks have been able to charge as interest on loans and that which they have paid out to depositors. The average spread in 1981 went from a low of 11.67 percent in February to a high of 12.67 percent in May. The prime rate for the last 10 months of last year stood at 22.5 percent, dropping to its present level, 21.75 percent, only or March 2 of this year. The spread between the prime rate and the maximum interest on deposits varied between a low of 3.3 percent in December to a high of 4.31 percent in April.

However, actual interest rates often reached 27 to 28 percent, and rates as high as 30 percent were not uncommon, particularly in southern Italy. These spreads, sources say, more than compensated for declines in deposits.

Expanded Services

A second reason for increased profits is that the banks quickly began expanding their range of services, most notably by moving into such para-banking areas as factoring, leasing and bankers' acceptances, operations that the Italian banking system had heretofore

ity is booming. According to a re-cent databank study, total para-banking operations in Italy jumped from a level of 1.7 trillion lire in 1978 to 6.8 trillion lire in

A third reason for the boom is that Italian banks have increased their operations abroad, both in terms of new branches and expanding services and with regard to financing activities by Italian companies in foreign countries.

In engineering, for example, Italian companies have been very successful in winning contracts abroad, often building projects that they are unable to realize at home because of bureaucratic restrictions. And Italian banks have increasingly stepped in to finance

such deals.

Despite never-ending discussions of major banking reforms in Italy, sources say that no major structural changes or no major re-vision of the 1936 banking law are likely to occur in the near future.

Potential Changes

However, many lesser reforms are now at various stages in the governmental process. Many of them are either responses to the current situation of declining deposits or are attempts to redress such endemic problems as a lack of interbank communications, an overload of employees and various restrictive rules and regulations.

Such potential changes include abolishing the withholding tax on bank deposit interest earnings; (Continued on Page 10S)

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-Banking and Finance in ITALY-

Vatican Is Said to Plan a Modification of Its Financial Structure

By Sari Gilbert

VATICAN CITY - Pope John Paul II has reportedly decided that earnings by the Institute for Religious Works, generally known as the Vatican bank will no longer be used for the economic support of the Vatican's central

The implications of this decision, which predated a two-day meeting in March by a special budgetary commission of 15 cardinals, are significant for the church's central administration. which is believed to have relied on yearly contributions from the bank ranging from 10 billion to 20 billion lire to help defray its huge op-

For Vatican administrators, it

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tion - better use of the income from the investments and proper-ties managed by APSA, the administration of the patrimony of the Holy See, and, if possible, a reorganization of jurisdictions that would transfer some expenditures (such as for the Vatican Radio or the Vatican newspaper l'Osserva-tore Romano) from the administration of Vatican City to the central government of the church.

It would also mean greater reliance in the future on Peter's pence - the voluntary contribution made by Roman Catholics to the pope and first instituted to ease the church's financial difficulties more than 100 years ago — and in

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and religious institutes.

But the decision also suggests some changes, if not in direction at least in attitude, for the 40-yearold institute itself. In one sense it is a return to the origins, since the exclusive function of its grand-parent, the Sacred Congregation for Pious Causes, which was set up in 1887 by Pope Leo XIII, was to collect and manage money for the needs of the universal church.

But according to Vatican ex-perts like Benny Lai, a historian and journalist, the move to reduce the institute's financial burden is also designed to represent an addi-

general on the generosity of the represented a risk on both finan-faithful, including local churches cial and ethical grounds. cial and ethical grounds.

Although official details have never been publicly revealed, it is well known that the Vatican suffered significant losses in the collanse of Michele Sindona's financial empire in the early 1970s, as well as a blot on its reputation. Several Vatican bankers who sat on the boards of Sindona's banks have been charged with fraud in relation to the Sicilian financier's bankruptcy.

Masonic Scandal

More recently the Italian papers have reported Vatican financial involvement in the holdings of Milan financier Roberto Calvi, who last spring was convicted of illegal capital exports and who has also been implicated in the P-2 Masonic scandal and charged with a key role in the tangled affairs of the

Rizzoli publishing empire.

As a result, the president of the bank, Archbishop Paul Marcinkus from Cicero, Ill., has become a favorite target of at least part of the Italian press. There are recurring rumors in

the Italian press regarding the at the bank. But the tall, tough-speaking Chicagoan appears to have the pontiff's confidence. Recently appointed pro-president of the pontifical commission for the state of Vatican City, that is, head of the Vatican governatorato, he is soon expected to be made a cardinal and either left in charge of the bank or, after hand-picking a successor, made an adviser.

The pope's decision to use the bank's profits exclusively for the universal church's needs, which include subsidies for religious institutes, missionary work, charities and rescue operations — has thus appeared to some analysts as designed to reduce the pressure that in the past may have encouraged wheeling and dealing.

Monuments, Art Works

But it does not make the IOR any less important in the Vatican's financial empire. Considering the fact that much of the Holy See's riches consist of priceless monuments, buildings and art works that can never be sold and thereby transformed into liquid assets, the bulk of the church's wealth is clearly in the hands of the bank.

The IOR's assets are not included in the annual budget that the prefecture of economic affairs prepares for the pope, but press esti-mates of its worth have run as high as \$25 billion. Located within the Vatican

walls in the medieval torrione, or tower, of Nicolo V, the bank is believed to have at least 10,000 depositors, all of whom are (according to the bank's mandate to look after and manage the monies destined for religious works) supposed to

have promised "all or part" of the capital invested to religious goals. The depositors include nuns and priests. Vatican residents, a goodly but unknown proportion of the world's 100,000 Roman Catholic institutes - and the Vatican secretariat of state itself.

But, according to an inside source, at least 10 percent of the bank's clients are Italian private individuals willing to accept the religious donation requirement in return for the chance to take advantage of the bank's foreign status.

Higher Interest Rates

Sitting on Vatican soil, the bank is not bound by Italian laws and currency restrictions. It offers the are not subject to the Italian state's 20-percent withholding tax on interest and accounts in foreign currency. And, above all, it affords a freedom of capital movement that

Although it has also received innumerable outright donations, not to mention the capital received be-tween 1914 and 1939 from the Benedictine and Pian foundations, the bank's wealth stems, like that of any other successful bank, from the skillful use of its depositors'

Set up in its present form by Pius XII in 1941, substantial money was channeled into Italian reconstruction projects after World War II. The IOR thus carved a significant role for itself in banks, insurance companies, chemicals, textiles, heavy and light industry, engineering, pharmaceuticals, real estate and navigation.

Throughout the 1960s, the Vati-can's policy was to invest heavily in Italy, wherever possible buying a 51-percent interest. Subsequently, political and economic instabilas well as growing criticisms of the church's role, are said to have led to a policy of disinvestment in trolling participations and to the gradual construction of a portfolio that is said to be heavy in top European and American companies.
The only bank now outrightly

owned by the IOR is reportedly the Banca Romana per la Svizzera. in which the Banco di Roma owns the other 49 percent. In Italy, the IOR still has an interest in Banca Cattolica Veneta, Banca Provinciale Lombarda and Banco di San Gimigniano e San Prospero.

With the secretary of state as a client, the bank no doubt also has indirect access to the other side of the Vatican's financial wealth, that which derives from the reparations paid to it by the Italian state upon the conclusion of the 1929 Lateran

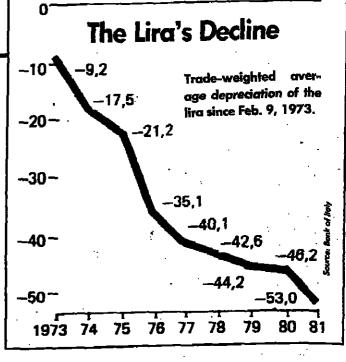
That treaty and concordat, which in effect ended the state of hostility that began when Italian troops seized Rome in 1870, putting an end to the popes' temporal rule, assigned to the Vatican 1 billion lire in 5-percent government bonds and 750 million lire in cash.

At the time that was the equivalent of about \$90 million, and the money was invested by Vatican banker Bernardino Nogara in foreign exchange, gold and property (the Vatican is said to own 5,000 apartments here, vast hectares of land and scores of palazzi). This wealth, however, has not

been sufficient to prevent the Vatican's daily operating costs from running into the red. In the last few years, costs, including salaries pensions for 5,179, have generally exceeded by at least \$20 million a year the earnings from rents. dividends and investments combined with other revenue deriving from the sale of stamps and coins and tickets to the Vatican muse-

The Vatican first revealed budget figures for the Holy See in 1979 when it disclosed a deficit of \$20.1 million. In 1981 the deficit was \$26 million, and for this year it is pro-jected at more than \$30 million.

Sari Gilbert, an American based in Rome, has contributed frequently to the International Herald Tribune.



Banking on Tight Money

(Continued from Page 9S) has achieved some stability against

other EMS currencies. One reason for this is that speculation against the lira has been greatly reduced. While other EMS currencies are allowed to fluctuate up or down by a margin of 2.25 percent, the lira has been given a margin of 6 percent, something that has helped discourage specu-lation. For the moment, therefore, there appears to be no imminent danger of another devaluation.

In its third area of responsibility, the supervision of Italy's overall banking system, the bank has been regarded by many observers as conservative, overly restrictive and unimaginative. A freeze on the creation of new banks, for example, that has been in effect since 1966, and much of the seemingly unnecessary paperwork that takes place in Italian banks are the result of Bank of Italy regulations. Then there are anomalies in the geograp-ic distribution of banks, such as the fact that Milan, with 1.7 mil-lion people, has 72 banks, while Turin, with 1.2 million people, has

Some sources see two reasons for the central bank's apparent reistance to change in this area. One is the desire to preserve local bank autonomy by protecting rural banks from what it regards as un-

banks. As a result, Italy, which has just over 1,000 banks in all, finds itself with about 650 rural banks that together handle less than I percent of the country's total banking transactions.

Another reason is that the bank feels that competition can best be preserved from within a regulated environment. To open Italian banking up to a laissez-faire climate, sources say, would be to permit larger banks to swallow smaller ones, thereby retarding true competition. The positive result of this laissez-faire attitude has been the preservation of local autonomy and competition. But a result has been to delay interbank communication and leave Italy lagging behind many other indus-

trial countries in bank services.
With 11 of Italy's top 15 banks owned by the government, the Bank of Italy, of necessity, has had to interact more closely with the government than do central banks in many other countries. Yet it has managed, even under Mussolini, to preserve its independence. Like the Vatian, it is part shadow government and part super-ego, remind-ing the ever-extravagant Italians that there is a time to take one's medicine as well as a time to play

Robert Wazeka, an American, is a free-lance correspondent based in

'A Delicate Phase of Transition. These policy objectives should be viewed, however, as part of a (Continued from Page 9S)

million workers, rose to 10 percent of the labor force - with unemployment among young first-time job seekers up by 26.3 percent over 980 — and it is expected to rise further before an industrial recovery begins later in the year. Investments also declined by 0.2 percent, compared with 1980.

In the short term, therefore

Italian government's policy objectives are to reduce inflation further—to a 1982 average of 16 percent and to 13 percent by the end of this year — and to target GDP growth for 1982 at 2 percent, in real terms.

To achieve this, the government plans to keep the public-sector borrowing requirements to within 50 trillion lire, or 10 percent of GDP, a decline from the 12.3-percent level reached in 1981.

This is deemed compatible with a target of 73 trillion lire for total domestic credit expansion. The government is also actively trying to convince labor unions and business groups to keep wage-renewal agreements within the range of the projected inflation target.

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longer-term strategy designed to bring inflation down to the average level of the major industrial countries and to carry forward a process of real economic adjustic targets for macroeconomic variables but calls for policy actions designed to increase real GDP growth, reduce inflation, improve the balance of payments on cur-rent account and better the condivth, reduce inflation, improve tions of the southern regions in re-

lation to the rest of the country. With regard to public finance and the public-sector borrowing requirement, the plan seeks to sta-bilize the ratio of fiscal intake to GDP, avoiding fiscal drag; to reduce progressively the ratio of curpublic expenditure to GDP

and to speed up investment ex-penditures by the public sector from the current 4 percent to between 8 and 10 percent. A commit-tee of experts will be set up to use cost-benefit analysis to evaluate all future investment projects in terms of their contribution to increased

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ing rates of growth in the money supply, while agreements with the trade unions should keep the cost of labor in line with the declining inflation rate. There is a general orientation in favor of deregulatment. A three-year plan for the ing the economy and reducing the 1982-to-1984 period sets no specification of the vast public enterprise system.

The major thrust of the plan is to bring about significant economic adjustments by increased reliand reduced use of monetary policy as an instrument of insuring economic stability. The major question is whether at present the plan is politically feasible.

There is no doubt that the present government, led by Giovanni Spadolini, the first non-Christian Democrat to become prime minister in more than 30 years, has had considerable merit in the turna-round of the economy between 1981 and 1982. But only the Tuture can say whether the five-party coalition will be able to provide the political consensus needed for a more fundamental change of economic policy.

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easing of controls on uses to which bank deposits may be put; the creation of domestic mutual funds; posting of consistent, non-negotiable interest rates for bank depo-sits: resolving the question of parificatio, or standing before the law, which currently allows public bank employees to be tried for such "of-fenses" as making bad loans (something for which private bank employees are not liable); ending of bank secrecy; eliminating the Italian Exchange Office (UIC) as an adjunct of the Bank of Italy; opening up company balance sheets and minutes of stockhold-ers' meetings to the Bank of Italy ers' meetings to the Bank of Italy as a way of preventing the spread of interlocking directorates and phony trusts; permitting private and institutional investors to acquire a limited capital interest in savings banks, something that is now prohibited, and giving the Bank of Italy more control over

para-banking activities. Even such limited reforms, how ever, are likely to take long to put into effect. The banks, until they are given the means to attract new deposits, will have to rely on adaption and innovation in order to survive. So far they are doing quite

-- ROBERT WAZEKA

Curbs Sought

(Continued from Page 9S)

SIP, the state telephone company, \$350 million, and Finmeccanica (IRI), the state steel company. \$300 million. Together, these eight borrowed \$6,225 billion in 1981.

Banking sources estimate that the troubled steel and chemical industries might need to borrow \$10 billion to \$20 billion at home and abroad over the next decade for needed new investments. In addition, some portion of Italy's ambitious 10-year, \$70-billion energy program will need to be financed by foreign loans.
It is likely, in short, that Italy

will need to increase its already considerable foreign borrowing over the next few years. And there is apparently enough money available in the Euromarkets to do it. The country thus faces the difficult choice of deciding if it wants to go in this direction - and if so, to

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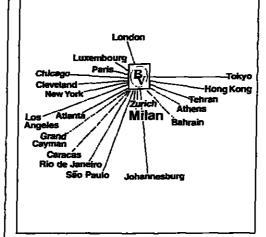
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Top Dividends

Dividend payments

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Proposed Law Is Seen **Ending Bank Secrecy**

Special to the IHT

ROME — Secrecy, a long-time tenet of Italian banking, is being threatened by a proposal put forward last month by Italy's Socialist finance minister.
The 55-year-old minister, Salva-

tore Formica, says that the purpose of a proposed decree law limiting bank secrecy is to sharpen the crackdown on large-scale tax eva-sion and to combat organized

But the attack on confidentiality has banking and business circles in an uproar. The new law, if approved, would give sweeping and imprecedented investigative pow-cis to Italian tax officials and to financial police, and as such has already aroused extensive opposi-

While conceding the need for some reform of the present system,

The change would give inspectors direct access to bank files.

bankers, businessmen, politicians and jurists are concerned that the proposed sharp restrictions on confidentiality would impinge significantly on the right to privacy.

New Problems Feared

In addition, there is concern that the new measures could create serious economic and financial problems, interfering with the accumulation of savings and possibly provoking a new wave of capital

flight. Italian legislation does not explicity recognize the right of confidentiality to bankers, as it does to doctors and journalists. But, as a firmly established precedent, it has nevertheless acquired a near-legal

Ever since 1973, Italy's tax offices have had the right to apply to Italian banks for copies of a depositor's accounts when there was a suspicion of tax evasion or other illegal activity.

But along with extending the le-gitimacy of these requests to include Italian insurance companies. the proposed draft for the first time would give tax inspectors and finance police direct access to bank files as well as the right in some cases to confiscate relevant

Another highly controversial drop even from the 13-percent clause would allow tax inspectors growth rate in 1980.

al's office without a judicially approved search warrant.

Mario Usellini, a Christian Democrat who is chairman of the 30-member parliamentary joint commission that is examining the bill, said that most of the opposi-tion to the bill revolved around the question of direct access to banks by a police corps and to the exclusion of the judiciary branch from

the investigative process.

The commission will hold hearings, and by the end of May will hand the government an opinion, which is not binding, on the Formica bill

Similar concerns, however, have already been expressed by the Italian Banking Association. Following the presentation of the bill on March 18, the group issued a statement declaring support for the crackdown on tax evasion but saying that the extensive powers accorded to tax authorities by the bill were worrisome.

The Italian national manufacturers' association, Confindustria, said the bill as now written "means giving an enormous amount of power to the tax office, something] that is likely to lead to mis-

And Guido Ruta, professor of bank law and former legal adviser for the Bank of Italy, suggested that the provisions might be unconstitutional, saying it was in-conceivable "to allow a police corps direct access to a bank to search, inspect and confiscate at will without a judicial mandate."

Banking and business groups have also expressed alarm over the possible economic consequences of a decision to weaken confidentiality. There was speculation that the new decree, if approved by the government, could lead to many

attempts to export capital illegally. According to Victor Uckmar, a tax expert, the restriction of confidentiality and the establishment of the principle of direct access to banks and professionals offices could cut sharply into savings, creating additional problems for the banking sector.

Partly because of the lure of Italy's high-interest treasury bonds ed certificates, the value of bank deposits here has been declining sharply. Compared to a yearly growth rate of 20 percent several years ago, deposits here last year grew by only 9.1 percent, a sharp

Stocks Are Struggling to Regain Momentum

Special to the IHT

ROME — Almost a year after
its collapse last summer, the
Italian stock exchange is still struggling to regain momentum.

Although the market managed to recover a good share of lost ground by the year's end, activity in recent months has remained somewhat depressed, with irritated stockbrokers blaming the reduced volume of daily trading on new anti-speculation measures, namely margin requirements for forward deals in shares, involving a 30-percent cash deposit for purchas and a 70-percent deposit for equities sold.

Since the beginning of the year, in fact, trading has been limited. Furthermore, after the market index posted a 9-percent loss in mid-April, brokers and analysts agree that though a few industrial and financial shares could become stronger, the general outlook is for continued uncertainty and probably an overall decline. On April 15, the Milan stock exchange index stood at 988, down from the Jan. 4 year-opener of 1,000.

At Consob, the national bourse commission, officials are nevertheless optimistic that the selling crisis that last year forced the country's 10 markets to suspend trading for a week may actually have brought some good.

Stimulating Interest

According to Consob's president, Guido Rossi, inflation and high interest rates are stimulating a renewed interest in the bourse by Italian companies, which need new

Attempts to lengthen and clean up the stock exchange's unusually short quoted list and the introduction of new and standardized accounting practices are designed to help re-establish the bourse's credibility. The margin requirement re-strictions, which can be increased for shares that are, particularly fragile — like Bastogi, for which a 100-percent deposit is now required — are designed to reduce the stock exchange's long-standing

Critics of Consob say that last year's collapse was provoked, at east in part, by the commission's June 16 order — later revoked — banning traditional forward-share trading in favor of immediate set-

But other analysts say that the sharp increase between 1979 and mid-1981 that after years of dormancy had led most Italian stocks to double or triple in price was, in itself, a harbinger of doom.



Action is lively on the floor of the stock market at Milan.

Undoubtedly, when the boom began in late 1979, many stocks were undervalued. But the growing inflow of funds at a time of tightened bank credit forced prices to unrealistic heights, in the process attracting inexperienced investors who were lured by the prospect of short-term gains. Between January and June of 1981 alone, the market's historical index rose more than 60 percent. And then the bubble burst

Consob officials insist that current levels of trading reflect the real value of Italian stocks better than the inflated figures of last year. Although there are some exceptions, many of the 20 top stocks — including Olivetti, Pirelli, Mediobanca, RAS, Toro, Franco Tosi, Generali and SMI — are not doing at all badly.

And last year's cancellation of five stocks — Profing, Pantanella, Montefibre, Liquigas and Rumianca — and the suspension of several others, also helped to bring the board listing better into line with real investment criteria.

Looking back, the fact is that last year's crisis — the first shutdown of the bourse since 1917

may finally have given Mr. Rossi the opportunity to marshal support for much-needed reforms.

The small number of firms on the quoted list and the small number of shares actually valid for trading have combined to make the Italian bourse an easy victim of speculative operations that disguise real values and susceptible to extremes of variability that discourage the investor.

The net result, according to one expert, is that what Italians call the secondary financial market has largely failed to fulfill efficiently its function of providing a meeting i.e., bank, support. ground for savings that are avail able to be converted into risk capital and companies seeking new in-

A look at the figures tells much of the story. Only 144 companies are currently listed on the Milan bourse and together the listings on all of Italy's markets (the others are Rome, Turin and Genoa followed by Bologna, Florence, Ven-ice, Trieste, Naples and Palermo) number no more than 178.

Although in addition, 20 percent of a company's share capital is

supposed to be available for trading, in the case of many companies that are quoted, particularly state-or family-owned firms or banks. this amount (il flottante) is as nar-

Banking and Finance in ITALY-

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Pinelli & C.

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The reasons for the restricted number of listings are varied. The major one is that the overwhelming majority of Italian companies
— about 60,000 — are small and medium-sized family enterprises whose owners have been frightened by the prospect of disclosure, intent at all costs on maintaining absolute family control. They have preferred to depend on outside,

Furthermore, since the 1960s this tendency toward indebtedness rather than self-financing has been encouraged by the state's policy of subsidized credits, and by the fact that the country's tax structure has consistently made share capital more expensive than increased in-

Now, however, high inflation and a consequent increase in the cost of money - now between 25 and 28 percent — has somewhat altered the situation, making the

capital gains tax where stock sales securities market increasingly attractive. After a period of stagna-tion from 1973 to 1980, new shares have again begun to appear on the board. Between January, 1981, and June of this year, 10 new companies will be quoted on the Italian markets and in the last two years almost 8 trillion lire has been raised on the market through suc-

cessful capital increases and con-vertible bond issues.

To broaden and deepen the bourse, Consob has also been backing measures designed to encourage the small investor. Small investors have normally looked to real estate and bank accounts, and one attraction of the high-interest treasury bills (BOT) now in demand is that, in contrast to shares dividends on which are subject to a 10-percent withholding tax they are tax-free.

Two laws now before the parliament would encourage these small investors, one by suspending the

are concerned and the other by permitting the establishment Italian mutual funds that could better channel the savings of the small depositor. The 10 funds that operate in Italy are all incorporat-, ed under foreign law. Perhaps the most encouraging.

sign for investors is a boom in pro-jected dividends. Although cantious Consob officials say that all the data are not yet in, the Italian. magazine Espresso recently reported that this year three-fourths of. the companies quoted on the Italian stock exchange will use profits or reserves to pay dividends to shareholders.

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Patience a Big Asset in Everyday Banking

MILAN — In the days of the Medicis, Lorenzo the Mag-nificent of Florence was the banker for Europe's kings, and in post-Renaissance years the bankers of Milano in Italy's Lombardy region played such a key role in Europe's financial and commercial affairs that Lombard Street in London's financial center was named in their

Banking thus goes back a long way in Italy, where one of the country's six semi-public banks, Monte di Paschi di Siena, can even boast on its letterhead of a found-

ing date that reaches back to 1472. But the weight of tradition can, at times, be heavy. Modern banking in Italy is in fact burdened by a detailed structure of complex rule and regulations (the ABC's of most banking operations are spelled out in the country's Roman Law civil code) that make for an excess of red tape and bureaucra-

Frustrating Experience

Poor customer relations, excess labor, limited mechanization and the shortest banking hours in Europe — about four hours a day, de-pending on the region, from Mon-day to Friday — mean that, for the customer, everyday banking in Ita-ly is often a frustating experience. For many foreigners, in fact, a visit to an Italian bank means a lesson in patience. A national aversion to queneing, which the banks do little to counter, means that much valuable energy is lost in establishing one's place in line and in catching the eye of the clerks.

Many operations are still done in longhand, computers appear to break down easily, and newly ordered checks must be individually and manually stamped. To withdraw or deposit money, one moves to the cashier's window. Banking unions appear determined to protect labor-intensive forms of operation like the traditional separation of teller and cashier functions.

The unions' reluctance to accept new forms of rationalization and mechanization for fear of job losses represent one obstacle to change. But, according to one Italian banker, at the root of the problem of consumer relations is a basic antagonism between customer and bank, reflecting mutual suspi-

cion and mistrust.

tial clients, witness the substantial initial deposits often required to books of 10 or 20 are available --

comprehensible statements.

He is also convinced, not always without reason, that where possiinvolving interest rates, which are generally not fixed but depend on accounts, simply because no one has ever informed them that internegotiations between bank and clible the bank will take advantage of

sure themselves of the benefit of float by debiting checks on the date of issue rather than clearance. and many take several days to give credit for deposits, even if the op-eration actually takes place the day the deposit is made. The fact is that despite the recent drop in deposits, banks here still have not adopted the aggres-

banks here still act as though they are doing the client a favor," said an American banker working in

him. For example, banks here as-

when assurances are made that these large deposits will remain in the bank for a significant period.

out directly with the teller who opens their account; those with substantial amounts of money negotiate with the bank director and can get rates as high as 17 percent

sive marketing practices used else-where to attract clients. "Most In any event, upward changes in interest rates are left to the client's initiative (downward shifts are automatic). There are reportedly thousands of older people here who are still getting only 2 or 3 This is best reflected in matters percent interest on their savings

est rates have increased and that they can ask for an adjustment. Small depositors work things

This is not to say, however, that there have been no changes. Significant innovations are being made, particularly in the realm of para-banking activities.

Some firms now pay salaries di-rectly to an individual's bank, which in turn will take care of rent and utilities payments. Some are offering credit cards with out-ofhours banking and cash-dispensing services. And, for the first time, a few banks are offering easier, longterm loans for home repairs or students are actually advertising.

- SARI GILBERT



50 YEARS OF INDUSTRIAL FINANCING LEADING ITALIAN BORBOWER ON INTERNATIONAL MARKETS

PARTICIPANTS EQUITY: 1,437 billion lire (*)

Representative Offices in: LONDON EC4 R OBE, 8 Laurence Pountney Hill. WASHINGTON 20036, D.C., 21 Dupont Circle, The Euram Building.

Other Representative Offices in: Zurich, Bruxelles, Mexico City.

ISTITUTO MOBILIARE ITALIANO - public law credit Institute Head Office in Rome (Italy). Paid-up capital: 500 billion lire - Reserves: L. 336,779,713,156.

(") As of March 31, 1981.

Funds: L. 599,559,658,828 (*).

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Isveimer is the medium-term Bank which finances italian and foreign productive activities in Southern

The guidelines underlying its harmonious growth in the last 5 years (over 3,000 billions of italian lire in "outstanding credits" and over 550 billions of italian lire in "own funds") can be easily identified:

-a diversification of the credit offered; -a policy of greater funding, even in forms differing from the traditional bond issues in italian lire; -a more active and constant presence throughout Southern Italy as regards the allocation of funds, and over the domestic and international financial market for what concerns the raising of funds

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NYSE Nationwide Trading Closing Prices April 29

Tables include the nationwide prices up to the closing on Wall Street. Market Summary Dow Jones Averages 翌 **Market Diaries** NYSE **AMEX** 7 .40 7 .40 1 .80 9 .0 9 .40 9 .40 9 .40 1 .20 1 .20 1 .20 1 .20 1 .20 1 .20 2 .21 1 .20 1 .20 2 .21 2 .40 2 .21 2 .40 2 .21 2 .40 2 .21 2 .40 2 .21 2 .40 2 .21 2 .40 Press, 57.37 53.6 15.44 54.1 26.20 43.1 1.643 77 **NYSE Most** Actives | 1.54 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | 1.55 | **NYSE Index** Standard & Poors Index

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Key Figures Rabobank 1981

Key Figures as of December 31, 1981. (in millions of Dutch guilders).

Total assets Total loans Total deposits Net income	110,433 67,824 82,573 525
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Employees 8,510,000 Savings accounts Personal cheque accounts 2,840,000 Other current accounts Rabobank Nederland, International Division, Catharijnesingel 30.

3511 GB Utrecht, the Netherlands. Telex 40200. Branch Office New York, 245 Park Avenue, New York, NY 10167, United States of America. Telex 424337. Representative Office Frankfurt, Friedrich-Ebert-Anlage 2-14, D-6000 Frankfurt am Main 1, West-Germany. Telex 413873.

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Page 13 Friday, April 30, 1982 **

Woolworth Says Losses Widened

NEW YORK — F.W. Woolworth & Co. said Thursday that it expects to report a sharper loss for the first quarter than the restated 10-cents-a-share deficit a year earlier. The company plans to report first quarter carnings next month

Woolworth cited weaker sales at domestic Woolworth and Woolco stores and at outlets abroad, pressure on profit margins and unfavorable

The company said the first quarter is the least important quarter and not indicative of overall year. The company restated its earnings for the 1981 first quarter after it adopted a new accounting standard for foreign currency translation. It reported a loss of 23 cents a share for the 1981 first quarter before the restatement.

Tenneco Outlines Divestment Plan

HOUSTON — Tenneco plans a divestment program this year that will generate more than \$400 million for repayment of debt, Chairman J.L. Ketelsen told the annual meeting Thursday.

In addition to the previously announced sale of the company's Canadian oil and gas properties, he said Tenneco had agreed to sell the Bush Boake Allen flavors and fragrances unit of its Albright & Wilson Ltd. subsidiary in Britain to Union Camp. He did not disclose the price. Mr. Ketelsen said these two divestitures will account for about half of the program planned for 1982.

Fluor to Plan Chinese Mine Project

PEKING - Fluor has signed a contract with the Chinese Coal Ministry to plan the modernization of an open-pit coal and oil-shale mine. Fluor officials would not disclose the contract's value but said the engineering and design services would cost about \$50 million if done for an American mine. The officials said they hope the contract will be the

Fluor said that the project will roughly double the output of the Fushum West mine in the northeastern Chinese province of Liaoning, to about five million tons of coal and eight million tons of oil shale a year. Fushun, China's biggest operating open-pit mine, began production in 1914 and now uses Japanese equipment installed in the 1930s.

Exchange Rates Hurt Nestlé Sales

ZURICH - Nestié said Thursday that its group sales in the first

quarter were down 7 percent from a year earlier.

The food company's managing director. Helmut Maucher, said at a press conference that if exchange rates had remained constant, sales would have been 14 percent higher. He predicted that the company's profit for 1982 will not be dramatically different from 1981's 964 million Swiss francs (\$494 million).

Maytag Plans to Acquire Jenn-Air

NEWTON, Iowa - Maytag said Thursday that it has agreed in principle to acquire Jenn-Air and Jenn Industries from United Technologies.

The appliance maker did not disclose the price but said it would pay in cash and notes. Jenn-Air makes electric ranges, and Jenn Industries

Copper Firm Pleads Force Majeure

NEW YORK - Southern Peru Copper Corp. declared force majeure on blister copper shipments because of strikes at its Peruvian mines and plants, a spokesman said Thursday.

Products covered by the declaration include blister copper produced at the company's Ilo smelter and molybdenite concentrate produced at its Toquepala mine and concentrator, the spokesman said. Molybdenite concentrate produced at the Cuajone mine and concentrator is not af-

U.S. Firms Grow Concerned for **Argentine Ties**

By Lydia Chavez New York Times Service

NEW YORK — As the Falkland Islands crisis worsens, U.S. companies, which have doubled their investment in Argentina since the mid-1970s, have become increasingly concerned about their operations in that

country.

Argentine offices have been told by their parent companies in the United States to restrict travel in Argentina and to maintain a lower profile. These steps are being taken in order not to exacerbate any anti-American feelings that may arise because of the United States government's historical political com-

mitments to Britain. U.S. companies have some \$2.4 billion in direct investment in Argentina and, as the negotiations go on without any settlement. executives are becoming more pessimistic. The threat by Britain's Prime Minister Margaret Thatcher of further military action has

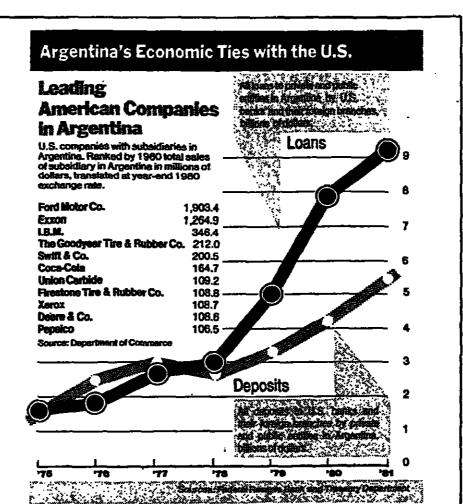
heightened corporate worries.

"We are considering Argentina a temporary war zone," said Dale Frye, manager of corporate security for Miles Laboratories. Miles, which has a sales office in Buenos Aires, has restricted travel in the country. Some companies have already taken limit-

precautions against the possibility of trade retaliation by Argentina. Suppliers to U.S. subsidiaries in Argentina have asked for letters of credit, or bank guarantees, to ensure that payments from the Argentine-based subsidiaries will be made, according to Frank Bunch, assistant director for the Latin America division of Du Pont.

As for major U.S. banks, they are quietly sitting tight to see how the crisis is resolved With loans to the Argentine government and residents of \$9.2 billion, up from only \$1.7 billion in 1975, these banks have perhaps the largest investment in the country.

Both the First National Bank of Boston and Chase Manhattan have have significant



branch operations in Argentina. First National has 22 branches and more than \$1 billion in assets. Chase has 10 branch opera-

For the most part, bank executives declined to speak for attribution. "We have relations with both parties and we try to lean over backwards not to offend either one," an executive of one major bank said.

"Of course we are nervous," the Latir American specialist for a leading U.S. bank added. "The economy is going to suffer, there will be higher military imports, more capital flight, and foreign investment is going to be scared away. It all takes its toll."

Much more affected than U.S. interests

are the British banks that have outstanding (Continued on Page 15, Col. 7)

NYSE Prices Slip With Budget Talks Failure

From Agency Dispatches
NEW YORK — The inability of
Congress and President Reagan to

agree on a federal budget compro-mise caused prices on the New York Stock Exchange to drop sharply Thursday.
The Dow Jones industrial aver-

age slid seven points in the first hour, pulled back to a drop of 31/2 at midday and then closed down 7.70 points at 844.94. Declines led advances, 980 to 430, as volume edged up to 51 million shares from 50.53 million.

Analysts said investors were also worried by a rise in some short term interest rates and the continuing possibility that the Falkland Islands crisis will result in war.

Analysts said the main concern on Wall Street, however, was the lack of a federal budget accord. After a meeting between President Reagan and congressional leaders Wednesday, both sides of the disputes said they were separated by deep philosophical differences. Analysts said investors see a

long legislative battle on budget plans and in the meantime the financial markets are expected to

face continued uncertainty about future federal deficits and their impact on interest rates. But other analysts said the failed

budget negotiations merely inten-sified the profit-taking following the market's rally during the past

"Markets find excuses to do what they think is appropriate anyway." Robert Stovall, Dean Witter Reynolds senior vice presi-dent, said. "The market had been in a rally for the past six weeks and the rally was looking for an excuse to rest. The political developments in Washington provided that."

Meanwhile, Manufacturers Hanover Trust and Continental Illinois National Bank & Trust raised their broker rates to 16 from 15 percent and Chemical Bank raised its rate to 16% percent.

In Washington, the Labor Department reported that business productivity rose at a 0.3-percent annual rate in the first quarter, reversing a plunge of 6.9 percent at an annual rate in the final 1981 quarter.

The report said the small gain in productivity resulted from a 3-percent drop in output and a 3.3-percent decline in working hours.

Dollar Plummets In Hectic Dealings

NEW YORK — The dollar fell sharply in hectic trading here Thursday morning after taking a sudden nosedive in European trad-

The drop was particularly sharp against the Deutsche mark. The U.S. currency was quoted in early trading in New York at 2.3385 marks, up from its low for the day of around 2.3350 but still well be-

low the opening level of 2.3565.

Dealers were confused by the sudden rush of dollar selling. Some said it reflected a view that American interest rates are likely to fall soon, an expectation bolstered by marked slowing in U.S. inflation.

Wednesday, West Germany reported a record 6.4 billion-mark trade surplus for March. Meanwhile, the U.S. recession is persisting stubbornly.

Another factor that apparently helped the mark was a cut in timedeposit rates at major Swiss banks Thursday morning. The move brought the difference in the rate of return from investments in the two countries into sharper relief,

Analysts said the dollar's fall appeared to be steepened by sell-ing emanating from Chicago's In-ternational Monetary Market, where some traders' charts called for dollar sales.

In early New York trading, the dollar remained firm against the Swiss franc. The U.S. currency was quoted at 1.9577 francs, compared with an opening of 1.9595 and Wednesday's close of 1.9510.

The pound rose to \$1.7957 from \$1.7830 at the opening and \$1.7850 Wednesday. The dollar also slipped to 235.82 yen from 237.70 at the opening and 237.57

Wednesday.
The dollar's drop came despite firmness in short-term U.S. interest rates. The rate on federal funds, reserves banks lend one another overnight, was quoted at 16 percent early Thursday. That was down from a high of 19 percent

Western European markets, the

Wednesday, but the rate often fluctuates wildly on Wednesdays as banks settle their accounts for the week. Late Tuesday, the funds rate was quoted at 13.875 percent. The profit amounted to \$1.95 in late afternoon trading in

dollar rapidly lost three pfennigs against the mark to close at 2.3385 marks in Frankfurt, its lowest level since early March. The pound rose almost two cents to \$1,8010 before failing back, while other European currencies hardened in line with

Dealers said the late flurry in Europe had little to do with the British-Argentine confrontation over the Falkland Islands, which had held traders' attention earlier in the day.

in London, gold's price fell by \$3.25 an ounce between fixings in thin trading and ended the day at around \$388.75 an ounce.

Other foreign exchange analysts, however, suggested that traders were paying less attention to interest rates, which have kept the dollar high for months, and focusing on economic fundamentals. On Chrysler Sale

DETROIT — Chrysler reported Thursday that it had a profit of \$149.9 million in the first quarter, but the No. 3 U.S. automaker would have had a loss if it had not sold its profitable defense subsidi-

ary.
Chrysler Chairman Lee A. lacocca said the company recorded an \$89.1 million loss from operations in the first three months. but that was offset by the \$239 million it got for its tank production unit. A year ago, Chrysler had a loss of \$289.3 million for the first quarter.

Chrysler's results reduced indus trywide losses to \$128.2 million, just over a fifth of the \$600.6 million the industry lost in the first quarter of 1981.

On Wednesday, Ford Motor Co. reported a first-quarter loss of \$355.4 million. Two days earlier, General Motors announced a firstquarter profit of \$128.3 million, vhile American Motors said it lost

s51 million, compared with \$52.7 million in the 1981 quarter.
Chrysler, which lost \$475.6 million in 1981, last showed a quarter-

by profit in the second quarter of 1981 — \$11.6 million.

Mr. Iacocca said. "The company ended the quarter with \$895 million in cash and marketable securities." ties on hand - the highest total in Chrysler's history."

per share. Sales were up 11.5 percent, to \$2.51 billion.

Harvester Obtains New Union Pact

The Associated Press

CHICAGO — Negotiators for the United Auto Workers and International Harvester Co. have agreed on the main points of a million through 1984. contract intended to help revive the financially ailing equipment manufacturer, a company spokes-man said Thursday.

The announcement by a Havester spokesman came more than 13 hours after talks between Harvester and the UAW had been scheduled to end. He gave no details of the proposed contract. But the Chicago Tribune cited sources as saying the proposed contract might involve the closing of several plants and the dropping of the 3-percent annual pay increase built into recent UAW-Harvester con-

Both sides spent three weeks in talks on a company request that the union give up \$100 million in terest rates, low commodity prices wages and benefits through Separate and a bitter six-month strike two

Is Planning

2 New Issues

New York Times Service
WASHINGTON — The Treas-

ury Department is to offer inves-

tors two new securities as part of

its plan to borrow a record \$121 billion from the public in the cur-

rent budget year.
The new issues are \$5.25 billion

in three-year notes, to be anc-tioned on May 4, and \$4 billion in ten-year notes, to be auctioned on May 5. The yields on both issues will be determined by the results of

the bidding.

In addition to borrowing to cover the budget's \$100.5-billion deficit in the fiscal year 1982, an additional \$20 billion is needed to finance certain spending that, by law, is talked outside the budget,

Beryl W. Sprinkel, Under Secre-tary for Monetary Affairs, said

Wednesday.
In announcing its quarterly financing, the Treasury listed its probable cash needs for the July-September quarter at \$32 billion to

\$37 billion; those for the preceding period were put at \$15.6 billion. In

addition, the Treasury will issue

tens of billions of dollars of new

securities in exchange for maturing

Mark E Stainecker, a deputy as-

to be raised in the September quar-ter was expected to fall short of the record \$38.4 billion in the first three months of 1981. He said that

the total cash to be raised in the fiscal year 1982 was in line with

of more than 10 years — so that the Treasury could resume longterm borrowing Mr. Stalnecker said that the department hoped for \$25 billion of authority.

Mr. Sprinkel said that he hoped that Congress would authorize promptly the sale of additional bonds as 175

bonds — securities with a maturity of more than 10 years — so that

sistant secretary, said the new cash
to be raised in the September quarter was expected to fall short of the

tember, when the current contract expires. Sources said this week that the company more recently asked

The aim of the talks, like those

Thursday that it was recalling 4,150 laid-off workers at four

Harvester, the largest U.S. man-ufacturer of heavy farm and con-

U.S. Treasury Pay Raises for U.S. Workers

By Warren Brown . Vashingson Post Service

WASHINGTON - First-year pay increases for unionized work-

eas in the United States dropped

drastically in the first quarter of 1982 as more companies sought and received concessions from

The Labor Department reported Wednesday that contract settle-

ments during the first three month-

sof this year produced first-year in-

creases averaging 2.2 percent com-

pared with average first-year raises

of 7.8 percent in contracts signed

Increases over the life of the

contracts negotiated this year — most of which are for 32 months — averaged 2 percent compared

with 5½ percent in the agreements

negotiated three years ago, accord-

ing to the report by the Bureau of Labor Statistics.

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Declined Sharply in Quarter

CURRENCY RATES

Interbank exchange rates for April 29 1982, excluding bank service charges.

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held with major automakers, is to come up with a contract that will provide labor cost savings for the company and job security for the workers. Some 30,000 employees — 10,000 of whom are on indefinite layoff — are affected. Harvester announced later

struction equipment, lost \$1.1 billion in the last two fiscal years. Analysts say the recession, high in-

years ago all contributed to the

company's problems.

Harvester devised a \$4.1 billion debt-restructuring plan late last year, but markets have remained severely depressed, resulting in continuing losses. The company reported a 33-percent drop in sales in the first quarter when it tallied losses of \$299.4 million.

On Tuesday, Harvester an-nounced that its bankers had agreed to modify two provisions of the plan to keep the company from defaulting. The company said it may soon ask for "very substantial alterations" in the refinancing

The company asked the UAW for concessions in November, but talks broke down in January when it was reported that the company paid \$6 million in bonuses to salaried employees at the same time it \$100 million in wages.

The bureau said the first-quarter bargaining was dominated by the

concession settlements between the United Auto Workers union

and Ford Motor, and the Team-

sters union and Trucking Manage-

ment Inc., the bargaining arm for the nation's unionized trucking in-

The UAW and General Motors Corp. reached a tentative agree-ment in March. That pact gave the company an estimated \$2.5 billion

in concessions in return for in-creased job security. But the

UAW-GM agreement was ratified and signed in April, placing it out-side of the scope of the bureau sur-

According to another study, produced by the Washington-based Bureau of National Affairs,

the decline in monetary contract gains was accompanied by a sharp increase in layoffs and plant shut-

Pomino Effect

Early N.Y. Risers that will Keep Generating Growth

Vitality returned to the U.S. semiconductor industry while too many analysts were still belaboring having been under system development at a succession

INTERNATIONAL

Upside

many analysis were sine benacoring halucinolory Jopanese threats and crosh warnings; and the IOG fund moved accordingly into such bargains as Advanced Micro near Instruments near \$75, Leveraging of positions via the sale of "put" positions via the sate of "put" options and purchase of calls at buy-signal levels pushed gains on such positions to 40 and 50 per cent as soon as final March liquidation had been absorbed. By then 10G had begun moving progressively into shares of big systems builders such as HONEYWEL, IBM and NCR which will be users of new progressively with the purchase of the p which will be users of new microchip configurations—often years ahead The systems makers must turn in sequence to builders of "OEM" equipment—the printers, disk drives and distributed entry systems made by companies such as Centronics, Dataproducts and Storage Technology which have been phased accordingly into the IOG phosed accordingly into the IOG accumulatory process. As new networking and word processessing procedures then are added to the overall drive toward full office outomation, CPT, Datapoint, NBI and Wang enter the balance—with an entire bull-market format thus beautiful passes. Under systematic having been under systematic development at a time when underinformed market commentators were still agonizing about outmoded Kondratief or Elliot wave
theories. Up went the NYSE short
interest to a record 94 million
shares, with bears so hopelessly
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other components of the impending other components of the impending bean that IOG's technicians and managers were preparing for a domino-effect eruption on the upside. With the Dow on its way to 1250 in this process, 10G's strategists have been revising targets for futures-market median ranging from cotton and T-Bonds to Gold and Silver that have begun following the turnoround; and in each week's IOG Growth report you'll find ideas and projections covering the whole range of growth-trended investment and speculative

Offshore Growth, Inc.

What makes TDB exceptional? Our bank in Switzerland, for example.

The man with exceptional goals needs an exceptional bank.

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In our Group we serve our customers exceptionally well-and we do that in a number of ways. To begin with, we concentrate on the things we do best, such as trade and export financing, foreign exchange and banknotes, money market transactions and precious metals.

Secondly, our clients in Switzerland or abroad benefit from TDB's worldwide network of

affiliates and correspondent banks. This includes not only the major financial centers, such as New York, London and Paris, but also a number of less familiar places, where our exceptional knowledge of local conditions can be a big help in your business.

While our operations are international, we run our back-office systems with typical Swiss efficiency and discretion. You may not notice this directly, but it shows up in quicker decisions and fewer errors.

So the next time you visit any of the cities listed at right, drop in to see us. Our multilingual account officers will be glad to welcome you and talk over your individual banking needs, wherever you do

TDB Holding Group: US\$ 12.1 billion in assets; US\$ 920 million in capital and loan funds employed, as of December 31, 1981.

Group banks: Geneva, London, Paris, Luxembourg, New York (Republic National Bank of New York), Athens, Buenos Aires, Chiasso, George Town, Hong Kong, Los Angeles, Miami, Monte Carlo, Montevideo, Nassau, Panama City, Punta del Este, Santiago de Chile, Singapore. Representative offices: Beirus, Caracas, Frankfurt, Mexico City, Rio de Janeiro, São Paulo, Tokyo.



Trade Development Bank

Shown at left, the head office of Trade Development Bank, Geneva, Swiss subsidiary of the Trade Development Bank Holding Group, Luxembourg. TDB is now the sixth largest commercial bank in Switzers

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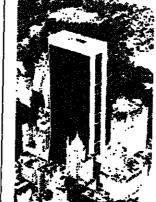
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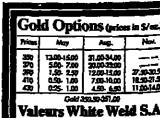
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COMPANY REPORTS

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France Pernod-Ricard United States American Natural Re 1st Quar. 1982 Revenue...... Profits..... 12 Months

Chinese Output

Rose 4.5% in '81

PEKING — China's industrial and farm production grew 4.5 percent last year, the government said Thursday. Last December, Premier Zhao Ziyang estimated 1981's production growth at 3 percent. The state statistical bureau said

in its annual bulletin that China's trade deficit in 1981 narrowed to 10 million yuan (\$5.5 million) from nearly 2.8 billion yuan in 1980. Exports rose 18 percent in real, or in-flation-adjusted, terms to 36.76 billion yuan, and imports grew 5 percent to 36.77 billion year.
But the bulletin said that pro-

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ductivity dropped 1.8 percent last year and that about 27.1 percent of the country's industrial enterprises. had losses. "The economic results of industrial production as a whole were relatively poor," it said, adding that the quality of Chinese goods was still far from adequate.

Heavy industrial output dropped, while light industry showed an impressive increase, the

U.S. Aide's IBM Links **Are Questioned Again**

From Agency Dispatcher
WASHINGTON -- Well-informed government and private sources have added fuel to charges that Assistant Attorney General William F. Baxter should have disassociated himself from the In-

ternational Business Machines antitrust case. The sources said Wednesday that in 1978 Mr. Baxter, then a law professor at Stanford University. was one of three antitrust experts whom IBM urged the Justice Department to name to a panel to set-

tle the government's antitrust suit against the computer maker. An IBM spokesman denied Thursday that the company had made such a In January, as a top Justice De-partment official, Mr. Baxter announced the dismissal of the IBM suit, saying it was without merit.

Some critics of IBM said the latest charges are a further indication of a relationship between IBM and Mr. Baxter during the 1970s that should have caused Mr. Baxter to 1981
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Stat at the time of 18 answers and closed that Mr. Baxter had done private consulting work for a law firm serving IBM and had failed to



tlement that would end the antitrust suit, which was filed in 1969. Baxter said earlier this week that Under IBM's proposal, the panel's he never knew about the proposal decision would have been binding, because it was not taken seriously

"It was the assumption of the Justice department officials said people at Justice that Baxter was the latest alleged link between Mr. clearly IBM's choice" for the pan- Baxter and IBM would not jeopel, as the other two had connec- ardize the dismissal of the antitrust tions with the department, one suit.

Several months ago, the New York judge who was hearing the suit at the time of its dismissal disclosed that Mr. Baxter had decreed the Mr. Baxter had decree Washington and Its Allies

(Continued from Page 1)

terest in his later role in the case.

IBM case from 1971 to 1977.

to review the case and come up

with a recommendation for a set-

and between November and early April, it appreciated 10 percent. In February of this year, the mark rose 1.6 percent one week and fell 1.4 percent the next then climbed 1.6 percent the following week fluctuations that mean havoc for importers and exporters.

But as Murray L. Weidenbaum, chairman of President Reagan's Council of Economic Advisers, told the Atlantic Institute seminar, the United States does not believe that intervention in the foreign exchange market is effective. The administration believes that the market, left to its own, will find the

This view runs counter to other expert opinion. Experts of every nationality agree that the exchange market gyrates from one extreme

But Washington's insistence that its economic policies are correct and that its noninterventionist foreign exchange policy is wisest leaves no room for assuaging Eu-

If interest rates do fall by the ton maintains its refusal to inter-

vene in the foreign exchange mar-ket, Europe will be forced to find its own solutions.

As Mr. Dini and Ulrich Steger deputy chairman of the Bundes tag's committee for economic af-fairs, both warned Wednesday, the immediate danger is that Europe will move to insulate itself from the dollar's vicissitudes by erecting controls on capital flows and ultimately, other protectionist mea-

"We will have an unhappy summit if the United States says it is going to stick to its current policy of high interest rates and nonintervention in the foreign exchange market," Mr. Steger warned, add-ing that it could lead to Europe's decoupling from the impacts of U.S. economic policy."

But, insisting that he is an optimist, Mr. Steger said he was con-fident that "American pragmatism will win out over ideology," and rope and America will be avoided.

Future Trading on Comex Delayed New York Times Service change began trading stock-index WASHINGTON — A tempo-futures last week, after obtaining rary restraining order issued by a authorization from the futures federal judge has thwarted the commission. Comex had previously been denied a similar licensing Commodity Exchange of New York's plans to begin trading fu-

agreement by S&P The S&P lawsuit is one of severtures contracts based on Standard & Poor's Composite Index of 500 al such actions in the growing stocks on Thursday.

Comex had scheduled the start furor over stock-index futures. Last week, a judge dismissed a suit by the Kansas City Board of Trade to bar the commission from apof trading in its new contract, which it calls the Comex 500, after

proving futures on stock indexes

City's Value Line Stock Index of me nearly 1,700 issues. The futures commission is are

scheduled to consider on May 11 a ver. request by the Chicago Board of Trade, the largest of the futures exchanges, to trade in stock-index futures. This proposal, however, is ned being challenged in court by Dow use Jones & Co., which contends that the exchange's contract is based on the Dow Jones stock indexes.

U.S. Companies Concerned copyright suit by S&P, thus delaying trading of the contracts pending a hearing scheduled for next Wednesday Wednesday

loans to Argentina, which Ricardo and financial futures analyst at Smith Barney, Harris Upham & Fox, the economic and commercial consul in New York for Argentina, estimated at \$5 billion. The British overnment froze Argentine assets in Britain. In response, Argentine compa-

It's more a legal decision than an nies have not been repaying their British loans directly, but have been making their loan payments economic one. Standard & Poor's, a unit of McGraw-Hill, already has an agreement with the Chicago Merto an an interest-bearing, dollardenominated escrow account escantile Exchange granting it the exclusive right to use its name and tablished at Argentina's central bank, the Banco de la Nacion. The central bank has retained

the Commodities Futures Trading

Commission granted permission Wednesday. But shortly after-

wards, Judge Milton Pollack of U.S. District Court in New York

Wednesday. Samuel D. Kahan, an economist

Co., said the order "wasn't all that unanticipated." He added: "Stan-

dard & Poor's has a vested interest

in the proprietary use of its index.

guessing its direction.

the June issue.

NEW YORK - Dow Jones &

Co. has announced that it will

cease publishing Book Digest after

that it had not been able to sell the

eight-year-old publication, which

was acquired from Book Digest

Co. in 1978 and has been opera-

ting at a loss. The magazine publishes condensed versions of best-

selling books and has a monthly circulation of 400,000.

The company said Wednesday

index in the trading of futures con-tracts. Under the agreement, S&P will be paid \$300,000 in the initial two U.S. lawyers, one a former Treasury Department official who stage of the program.
Stock-index futures contracts alhelped administer the seizure of Iranian assets two years ago, to help with the financial problems low a purchaser to speculate on the level of the index over a fixed periarising from Britain's freeze and od of time. The value of such a the implications for Argentina's contract rises or falls as the index debts throughout the world. fluctuates, and speculators or

We've been asked by the cenhedgers can profit by correctly tral bank to provide them with legal advice concerning their inter-The Chicago Mercantile Exnational financial obligations and their continuing program to meet them," said Richard J. Davis, one Dow Jones Will Cease of the two lawyers from the New **Publishing Book Digest** York firm of Weil, Gotshal &

Along with several other lawyers who handled the litigation arising out of the Iranian crisis, Mr. Davis suggested that Weil, Gotshal's principal role on the Argentine bank's behalf would be to reassure U.S. banks with outstanding loans to Argentina. These banks are worried about the effect of the British freeze and the cost on Argentina's

already weak economy of waging

So far, no U.S. banks have re-

fault, and for the most part, the more than 200 U.S. businesses in Argentina, including Exxon, Standard Oil (Indiana), IBM and Coca-Cola, expect the dispute to be re-solved without upsetting their

Ford Motor, which has the larger missest presence in Argentina and is 6.2 the second-largest company there 1 in terms of sales, has not altered its 9.0 business practices but is monitor-

ing the situation closely.
We are on the phone with them practically every day but no one has expressed the feeling that there is any anti-American sentiment,' said John Tome, a Ford spokes-

The only action the Argentine government has taken that directly affects U.S. companies was the imposition last week of some exchange controls. In the past, U.S. companies automatically trans- 11. ferred money from their account in Argentina to the United States or

Under the controls, however, a company has to go to the stock ex-change and buy a peso-denominat-ed bond for the amount that it plans to transfer abroad, said Mr. Fox. The bonds are then trans- 5 ferred and either sold by the company or held.

"The problem now is that if you try and cash the bond there is a much bigger discount," the Latin American banking specialist said. Before they were very secure, but now if the government of Argenti- 3 1 na goes down the drain, well then, you know it's not the next best thing to dollars."

28th April, 1982

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EEC Commission Proposes Extending Steel Output Cuts BRUSSELS — Cuts in the Euro-

pean Economic Community's steel production must be extended because of plunging demand, the EEC Commission has decided. A commission proposal for an 18-month extension of its power to impose the cuts was formally submitted to EEC governments Thursday, EEC officials said.

United Airlines

United Brands

Without an extension, the authority would expire June 30. The proposal, drafted by Industry Commissioner Etienne Davignon, says that steel demand in the EEC this year "will be below 1981 levels, which were already extremelow." The document, adopted Wednesday, adds: "Export mar-kers are depressed, and EEC steel exports in 1982 will be markedly

lower than in 1981." Apparently in a gesture toward EEC members who see an 18-month extension as too long, the could be ended earlier if circum-STATICES WATTENL

The proposal is generally gloomy about prospects for the EEC steel industry, which has lost

about 30 percent of its work force over the past seven years and is trying to regain competitiveness through a restructuring.

Diplomats from EEC countries were to review the proposal at meetings in Brussels Thursday and Friday. The proposal is to be sub-mitted to EEC industry ministers

The emergency cuts, first imposed in October, 1980, are designed to avert disorder in the EEC steel market at a time when slumps in such major steel-using industries as construction and existence of several companies.

shipbuilding have threatened the The current restructuring prosteel industries, is designed to re-store viability by 1985 by moder-nizing plants, shedding jobs and

capacity in the EEC steel industry compared to the level of demand for steel," the commission propos-al says. Commission officials say the EEC steel industry is working

to its opposite, overshooting on the upside when a currency appreciates and overshooting just as dramatically on the downside when it depreciates. The "equilibrium gram, involving all the major EEC rate" dear to theoreticians remains

cutting capacity. "There is still an enormous overrope's pain.

June summit, there will be no problem. But if not, and Washing-



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AMEX Nationwide Trading Closing Prices April 29.

Tables include the nationwide prices up to the closing on Wall Street.

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THE PHILIPPINE INVESTMENT COMPANY S.A. Société Anonyme

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coupon number 6 at:

Registered Office: LUXEMBOURG, 14, rue Aldringen Registre de Commerce: Section B Nº 8.198

DIVIDEND ANNOUNCEMENT

The Philippine Investment Company S.A. will pay a 10 cents U.S. dividend per share on or after May 25th, 1982 to holders on record on April 23rd, 1982. Shares will be traded ex-dividend after April 23rd, 1982.

The dividend is payable to holders of beaver abares against presentation of

BANQUE GENERALE DU LUXEMBOURG, S.A. 27, avenue Monterey LUXEMBOURG

Registered shareholders will receive their dividend by cheque from the

The Board of Directors.

LUXFUND Société Anonyme

Siège social : Luxembourg, 2, boulevard Royal

Messieurs les actionnaires sont priés d'assister à l'ASSEMBLÉE GÉNERALE ORDINAIRE qui se tiendra le 14 Mai 1982 à 15 heures au siège social. ORDRE DU JOUR

Rapports du Conseil d'Administration et des Commissaires aux comptes; Approbation du hilan et du compte de pertes et profits au 31 Décembre 1981. Affectation des résultats; Quitus aux Administrateurs et aux Commissaires aux comptes; Ratification de la cooptation d'un Administrateur; Démission des Commissaires aux comptes, réduction du nombre des Commissaires, nomination d'un nouveau Commissaire;

Le Conseil d'Administration

F. & C. ORIENTAL FUND S.A.

société anonyme

Registre de Commerce: LUXEMBOURG Section B 16855

DIVIDEND ANNOUNCEMENT

F. & C. ORIENTAL FUND S.A. will pay a 20 ceats US stock dividend per share on or after May 27th. 1982 to shareholders on record on April 22nd.

The shareholders other than those having opted for cash dividend will receive their proportionate entitlement of new shares in the Fund at the prevailing net asset value of May 26th. 1982, against presentation of coupon n°.

2. Any fractions will be settled in cash.

At the close of business on May 26th, 1982, all shareholders who have not

res will be traded ex-dividend after April 22nd, 1982.

The Board of Directors.

PERUSAHAAN UMUM LISTRIK NEGAR'A AGENCY OF THE MINISTRY OF MINES AND ENERGY OF THE GOVERNMENT OF THE REPUBLIC OF INDONESIA

INVITATION FOR PREQUALIFICATION OF CONTRACTORS FOR CIVIL WORKS AND PENSTOCK CONSTRUCTION

Perusahaan Umum Listrik Negara (PLN) requires prospective Contractors to supply information for prequalification for the civil works and penstock construction of the 500 MW Cirata Hydroelectric Power Project in West Java, Indonesia. PLN has applied for a loan from the International Bank for Reconstruction and Development for financing this Project. Only Contractors from the eligible member Countries of the IBRD and TAIWAN and SWITZERLAND may apply for the

Beginning from April 1, 1982, prospective Contractors could examine and obtain personally or through their Representative/ Agent in Indonesia the prequalification questionnaire including instructions upon payment of a non refundable amount of US\$62,—from the following address:

PERUSAHAAN UMUM LISTRIK NEGARA Jalan Trunojoyo Blok M 1/135 Kebayoran Baru, Jakarta Şelatan, Indonesia

Telex No. 47156 PLNPST IA Attn.: Director of Planning. The Project site is located on the Citarum river, approximately

60km North West of Bandung, the provincial Capital of West Java. The principal works for the prequalification are as follows: Lot I Dam and Spillway including Construction of River Diversion Tunnels, Bottom Outlet Works and

Operation of Quarry Site for concrete aggregates for the whole Project. Intake structure, Headrace Tunnels, Surge Tank, Penstocks including embedding of Steel Liners in

the tunnel portions, underground Powerhouse Tailrace and Civil Works for the Switchyard at Cirata and the associated extention of the Saguling HEPP Switchyard.

Supply and Installation of Steel Liners, Penstock Pipes and Manifolds.

Complete prequalification application will be received up until 10:00 a.m. Western Indonesia standard time on June 15, 1982, be submitted at the above mentioned address, preferably hand carried and handed over. Bidding documents will be made available only to the Contractors prequalified by PLN.

Jakarta, March 15, 1982 PERUSAHAAN UMUM LISTRIK NEGARA



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Registered Office: LUXEMBOURG, 14, rue Aldringen

Shareholders on record as at April 22nd, 1982 opting to receive a cash dividend of 20 cents US per share instead of the stock dividend must so inform the Company or the paying agent by May 26th, 1982 and present their coupons

made their intention known to receive a cash dividend will be deemed to participate in the stock dividend.

The stock or cash dividend is payable to holders of bearer shares against presentation of coupon number 2 at: BANQUE GÉNÉRALE DU LUXEMBOURG

27, avenue Monterey LUXEMBOURG

GENEVA V.I.P. Service. Noon to midnight. Tel: 41 20 36.

FRANKFURT - KAREN Escort Service. Tek 0611-681662 €.

New York Futures Cash Prices Thursday's New Highs and Lows De Beers Sees Slump

Nationwide Trading Closing Prices April 29

last year about doubled from a year earlier to 1.4 billion rand (\$1.5 billion). Fire Halts Zurich Trading United Press International ZURICH — Tracing was halted on the Zurich stock exchange Thursday because of a fire in the restaurant. Last month, dealers had to evacuate the exchange for a day after a smoke bomb exploded; the police are still investigating that incident. **Eurocurrency Interest Rates** Sterling Franch 13%-13% 29%-21 13%-13% 21%-21% 13%-13% 21%-22 13%-13% 21%-22 13%-33% 21%-24% 13%-33% 19%-20% ECU 13% - 14% 13% - 14% 13% - 14% 13% - 14% 13% - 13% **Selected Over-the-Counter** Closing Prices, April 29, 1982 ASK FOR IT EVERY DAY. EVERYWHERE YOU GO.

NEW YORK (AP)—
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JOHANNESBURG — The end of the diamond industry shamp is not in sight and De Beers Consolidated Mines expects a further increase in diamond stocks this year, the company's chairman, Harry Oppenheimer, has said in the annual report.

De Beers' diamond stocknile.

International Herald Tribune

PORTINAX DEVELOPMENT LIMITED -Bid: U.S. \$2.30. Asked: U.S. \$2.60. As of date: April 28, 1982. F.P.S. FINANCIAL PLANNING SERVICES BY Kalverstroot 112, 3rd Roor 1012 PK AMSTERDAM, Holland. Phone: (I) 20-25047/229873; Tales: 18536

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23 Assumed proposition 24 Periods 25 Equal 27 Fitted 29 Caesar's "Hi!" 32 Jewish month 33 Law deg. 34 Pythias' friend

36 Florentine sculptor 40 School, in Nice 41 Silkworm **42** Religious group 43 Cub Scout unit 44 Conqueror of Rome: A.D. 410 47 Algonquian Indian

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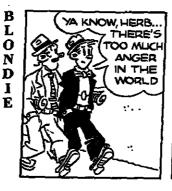






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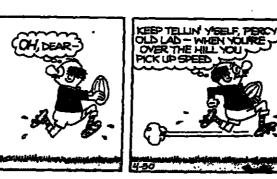
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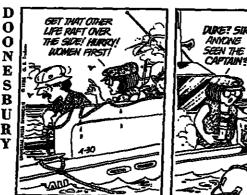


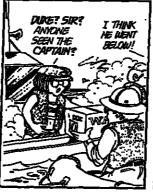










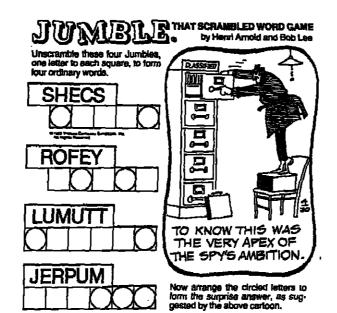




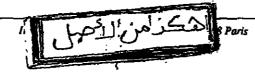


MISS GALE, THIS IS BETSY COLE!

IS DR. MORGAN



Answer here: A (Answers tomorrow) Jumbles: MOLDY ORBIT HARDLY MEASLY Answer: Ran off with a roll of cloth—"BOLT-ED"







I'M HELPING MR. WILSON PICK UP HIS TOYS."

BOOKS.

THE ADULTERESS

By Philippa Carr. 334 pp. \$12.95. Putnam's Sons, 200 Madison Avenue, New York, N.Y. 10016.

- Direction of the Control of the Co

THE OLD PRIORY

By Norah Lofts. 231 pp. \$13.95. Doubleday & Co., Garden Cuy, New York 11530.

Reviewed by Susan Dooley

THE pleasure of historical novels 1 lies in their remoteness. People travel on horseback and you are not reminded that the Honda needs a new clutch. Women dash about in velvet gowns, throwing on a cloak to go out mto the night, and underlings indulge your every whim (taking time out only to roll in the hay during harvest les-tivals). Castles may numble and villains abound, but oh, so long ago, and good always triumphs and happiness holds the last page.

And if ever anyone deserved it, it's Zipporah, "The Adulteress," who has had to endure a scheming housekeep-er trying to disinherit her by bedding down Zipporah's lusty old uncle, an evil estate manager who almost mur-ders her, a crippled, clinging husband, an immoral nephew who tries to steal off with her daughter, and a brief love affair with a moody doctor whose past includes a Terrible Secret. All this to return to the arms of the only man she really loves, the Frenchman who made her "The Adulteress."

"He put his arms about me and held me close to him. I love you, he

" 'I love you,' I answered. Zipporah . . . be

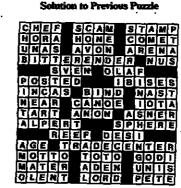
"Dear Zipporah . . . happy . . '
"I am . . . and then I'm not' "'It had to be."

" It should never have been." " 'It has been.'

" 'Oh God,' I said" But England and France are on the verge of war and Gerard, having changed her life and taught her on page 97 "what I had never known be-- that I was a deeply sensuous

woman," must leave. Not to reappear until page 332, which seems highly unfair. No amount of blackmailing. suicides, fires, secret burials and other amusements make up for the fact that the promised love affair has been shoved offstage.

Instead we must follow along with a motley of shallow characters, con-vinced that we are in another era not because of attention to detail but because of the inclusion of the historic event, as Zipporah and her doctor vis-



it the pleasure gardens of Ranelagh to hear a concert performance by the 8-year-old Mozart. "As the boy sat there and played, we were transported from this fashionable rotunda. I don't know whether others felt as I did, but it seemed to me that I was flying through space, and the music, so delicately played, so inspiring and yet so mysterious, was carrying me along . . . I think a good many of us that night realized that we were in the presence of genius."

When Potatoes Were Exotica

In "The Old Priory" we are in the presence of the potato, a new and ex-otic vegetable that, it is hoped will save the failing fortunes of the Tre-

And quite a comedown it has been from the day in 1590 when Arthur Tresize bought The Old Priory - curse and all. The estate prospers but the family does not, as one wife dies, another runs away and a third goes mad. It is for the second generation to lose the fortune and the third to reclaim it.

Although the narrative of the book spans three generations, it is both more tightly written and more com-pelling than "The Adulteress." The characters, as unpleasant as they often are, are real. Nor does North Lofts need to plunk a boy Mozart down at his harpsichord to remind us what year it is. She sets her book in a different time by showing us a different way of life, a different morality, with unwanted babies put out to die and a

unwanted babies put out to die and a young woman put out to whore to make money for the family:

"When I was 10 I got a job at the grammar school, making beds and emptying chamberpots, but that last-only two years because I began to be pretty and a danger to the young gentlemen; so I went to pick and bale wool. Picking, which meant taking thorns and burns out of the fleeces and cleaning out the bits which ding thorns and burrs out of the speces and cleaning out the bits which dung or tar had soiled, was, I suppose, no worse than emptying chamberpois. But it was a great deal heavier and harder on the hands. I was not altogether sorry when Mother said I could leave, trim myself up a bit and take to harlotry. But I hadn't the nature for it ... when it came down to a man

in a shirt and me in my shift, or sometimes completely naked, I felt a kind of shuddering. Mother was amused and said I'd get better with practice."

Even the slave trade is happily explained away by Arthur Tresize, talking about the ship he had sailed on:

This counted onto the sailed on:

This sounds cruel, but the slaves were men and women captured in the endless tribal wars, or men who had got into debt and thereby forfeited their freedom. Most of them would have ended in the cooking pot, but for the trade." A voice from a long-gone ne. but what else cal fiction for?

Susan Dooley writes a weekly colu for The Washington Post's Style Plus

BRIDGE

By Alan Truscou

A two-way finesse is never a guess. That statement, like virtually all other sweeping generalizations about bridge, is untrue. But it is not far from the truth, and the substitution of "hardly ever" for "never" would give it validity.

It validity.

This assumes that the two-way finesse is for a queen. (A two-way finesse for a jack, a rarer bird, is quite often a complete guess.) There are some highly improper but interesting ways to improve one's prospects, all based on provoking a reaction from the concent holding the concent year. the opponent holding the queen. You can, like P.Hal Sims, think a long time can, like P.Hal Sims, think a long time in the hope that the player with the queen will attempt to show non-chalance by making a remark, lighting a cigarette or ordering a drink. If this fails, you can then lead rapidly from the wrong hand and see who objects. And at rubber bridge with one trump honor in dummy you can make a prohonor in dummy you can make a pre-mature and mendacious claim of 100 honors in the hope that someone will

Consider this lay-out:

NORTH AJ105

SOUTH ♣K982

If this is a side-suit and South's holding has not been shown in the auction, it is right to lead the nine at an early stage. A good player in the West position may cover with the queen, fearing that you have a double-

In most cases, however, percentages must be considered. If one opponent is known to have length in another suit, he is less likely to have the crucial queen. And the high-card points in the defenders' hands may offer a clue and so may the absence of an opening lead in the key suit.

If the nine is missing, there is usually a clear-cut way to play. With the heart suit shown in the diagram, for example, one should normally play West for the queen, taking a first-round finesse. This gains when East has a small singleton and loses to a singleton queen. It appears to lose also when West has a singleton nine, but South has a chance to change

When this deal was played in a du-plicate game, it might seem that almost any four-one trump slit was due to wreck South's optimistic grand slam. But Barry Schwartz of the psy-chology department at Swarthmore College struggled home with 13 tricks by assuming a favorable distribution in the other suits.

The bidding calls for some explana-NORTH(D) **♦**AKJ1098 ♥AJ10

4A WEST EAST **♦**0542 ♥Q962 **4**.73 · ♥3 **♦ 1074 ♦ J952** ♣Q109532 SOUTH **♦6** ♥**K**8754 ♦Q63 **♣**KJ74

The bidding was: North East Pass Pass Pass Pass South 2♥ 3♥ 3N.T. 24 34 40 Pass Pass Pass Pass

West led the club eight.

tion. Two clubs was strong and artificial, and the response of two hearts showed, by partnership agreement, two kings or an ace. North now knew that the partnership held all the aces and kings; so, he was thinking in grand-slam terms.

North might have bid five no-trump after three hearts, requiring a grand slam, if South held the heart queen as well as the king. But there were chances of making seven spades or seven no-trump even if the heart queen was

missing.
South had problems at the third and fourth turns. He might have considered jumping to four no-trump over three spades or five no-trump over four diamonds. Both should be appeared to the context. treated as natural in this context.

North bid seven hearts in the expec-tation that his partner held either the heart queen or a six-card suit. As it was, the declarer had a lot of work to do. He won the club lead in dummy, cashed the spade ace and ruffed a spade. He finessed the heart ten successfully, crossed to the diamond

queen and repeated the trump finesse.
East's discard of a chib was a blow.
but Schwartz saw that he still had a chance. He needed to find West with 44-3-2 distribution, in that order, which would permit all the side-sun winners to be cashed safety. He cashed the spade king and ruffed another spade. He cashed the club king and ruffed another spade.

and two more diamond winners. All this passed off peacefully, and West was reduced to the queen-nine of trumps. But South still had the ace and king, and cross-ruffed the last two tricks to make his grand slam.

Bullets Win on Final Shot; Series Tied

throws. Greg Ballard's two foul shots with 40 seconds to go cut the BOSTON - Frank Johnson's three-point field goal with three lead to one before Robert Parish seconds left climaxed a 26-point performance and gave the Washmade one of two free throws for Boston with 33 seconds left. meton Bullets a 103-102 victory over Boston Wednesday night, eve-Parish was called for an offensive ning their National Basketball Asfoul. The Bullets worked the ball sociation playoff series at one to Johnson, who launched a 30-footer that swished through for the game each. The series was to move hington for games Saturday winning points. M.L. Carr missed and Sunday. a desperation jumper at the buzzer

"Tve made-some big ones before, but this one was the biggest," Johnson said. The guys told me in the huddle to take it, and as soon as i let it go I knew it was in."

In the other quarterfinal series, Philadelphia topped Milwankee, 120-108; Los Angeles downed Phoenix, 117-98, and Seattle beat San Antonio, 114-99.

Johnson scored 24 of his points in the second half, including 13 in the final period in which the Celnes led most of the way. Boston wiped out an 84-80 delicit with 10 straight points to take a 90-84 lead with 5:16 remaining in

the game. The Celtics led by from one to five points but could not shake the Bullets.

The Celtics went ahead, 101-98, with 1:06, to play when Nate Ar-chibald made one of two free

for Boston. Spencer Haywood added 26 points for Washington, and Jeff Ruland had 19. Boston was paced by Larry Bird with 26 and Kevin McHale with 20.

But with 10 seconds remaining,

The Celtic coach, Bill Fitch, praised Johnson for the effort but also thought the rookie had some luck, "You've got to admit it was a great shot," Fitch said. "He got off a lofted prayer and it was answer-

Gene Shue, coach of the Bullets, said: "The ball was in Frank's hands and he delivered. He's the best with the ball in that situation. We played so well we wanted to win it right there."

in Seattle, Gus Williams scored

pick up a sluggish Seattle offense that held Phoenix under in the second quarter to spark the 100 points for the second consecu-SuperSonies to a 114-99 triumph over the Spurs. The series stands even at 1-1, and the two teams

were to travel to San Antonio, Teras, for Games 3 and 4 on Friper contributed 16. day and Sunday. Jack Sikma added 26 points and

NBA PLAYOFFS

Lonnie Shelton finished with 15

for the Sonics, who shot 51 percent from the field for the game. George Gervin led the Spurs with

In Inglewood, Calif., Kareem Abdul-Jabbar scored 24 points and Magic Johnson added 19 points, 12 rebounds and 12 assists to lead Los Angeles, giving the Lakers a 117-98 victory over the Suns and a 2-0 lead in their series. The third and fourth games were to be played in Phoenix, Ariz., Friday

points in the first three periods, hitting 11 of 19 field-goal at-tempts. Johnson also had five steals to lead a tough Los Angeles

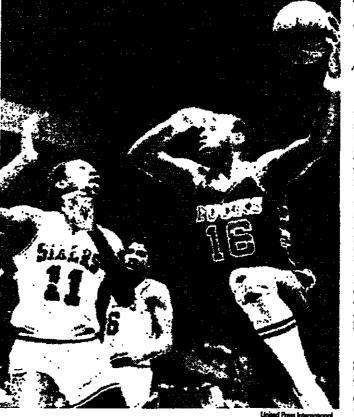
100 points for the second consecu-

Norm Nixon added 21 points for Los Angeles while Jamaal Wilkes had 19 and Michael Coo-

In Philadelphia, Andrew Toney scored 31 points and Julius Erving added 24 to spark the 76ers to a 120-108 victory over the Bucks and a 2-0 advantage in their series, which was to move to Milwaukee for Games 3 and 4 Saturday and Sunday.

Toney scored 16 points and Erving 14 as the 76ers raced to a 57-44 halftime lead. The Bucks crept to within 67-61 on a basket by Marques Johnson with 5:32 left in the third quarter, but two baskets by Erving, one by Toney and back-to-back three-point plays by Bob-by Jones and Caldwell Jones fueled a 20-9 surge during the remainder of the period and Phila-delphia led, 87-70, entering the fourth quarter.

Bobby Jones added 13, Darryl Dawkins 12 and Caldwell Jones 10 for the 76ers. Brian Winters led Milwaukee with 21 and Marques Johnson and Mickey Johnson each



Bob Lanier of the Bucks goes up against Caldwell Jones of the 76ers in the NBA Playoffs. The 76ers won the game, 120-108.

El Baba Established As Kentucky Favorite

LOUISVILLE, Ky. - El Baba, winner of the Louisiana Derby, and Air Forbes Won, champion in the Wood Memorial drew favorable post positions Thursday and were established as the early favor-ites to win Saturday's 108th running of the Kentucky Derby.

Cupecoy's Joy, the only filly in the 20-horse field, drew the rail position, a spot that will insure her status as a Derby starter. That a girl," said Roberto Perez, the owner. "She's in. You can't pray for better than that."

El Baba, who will be ridden by Don Brumfield as the 5-2 favorite on the morning line, drew the No. 4 post, and Air Forbes Won, with Angel Cordero up, drew the No. 7 position as the 7-2 second choice.

Speed on Inside

"I'm very pleased," said Dewey Smith, El Baba's trainer. "We've got a lot of speed on the inside and that will carry us away from the crowd. We just didn't want to be on the extreme outside."

Muttering, the winner of the Santa Anita Derby earlier this month, landed the No. 11 post and was labeled a 4-1 third choice under Laffit Pincay. Hints of Compromise in Auto Racing

The complete order of the Derby field, starting from the rail, will be: Cupecoy's Joy, Bold Style, New Discovery, El Baba, Royal Roberto, Wavering Monarch, Air Forbes One, Laser Light, Music ed setting a maximum figure of Leader, Reinvested, Muttering, topping-up fluids allowed, and imposing a face-saving minor penalty Bank, Rockwall, Wolfie's Rascal,

in place of disqualification for the Star Gallant, Cassaleria, Gato Del Sol and Majesty's Prince.
Those inclined to witticism have Committee approved proposals by already applied their craft; the

two teams.
On Wednesday the Executive Balestre to study new Grand Prix 108th running of thoroughbred rules from 1983 that would in-racing's most prized contest has racing's most prized contest has been dubbed "The Demolition crease safety and lower fuel consumption to reduce the advantage Derby.

Early Misfortunes

He failed to get a majoring immediate agreement to change, but was trying separately Thurshas been a rugged one for some of the nation's finest 3-year-olds. Timely Writer's battle with colic, Hostage's fractured sesamoid bone and the decision to hold back he had thrown the major dispute Linkage for the Preakness has cost over the advantage of turbo enthe Kentucky Derby some creditgines back to the teams themselves able performers.

The misfortunes of those colts. all from the East and each considered a favorite at one time to win Saturday's "Limp for the Roses," also has placed emphasis on the strong California contingent of Muttering. Cassaleria, the oneeyed wonder, and Gato Del Sol.

As in last year's Derby, which drew 21 starters after a court Browns have sent running back deemed Churchill's now modified Greg Pruitt to the Oakland Raid-20-horse rule to be illegal, trainers ers for unspecified "future considof this year's Derby prospects were
erations," in the second of two most concerned with post positrades this week between the Na-tions and a bruising stampede out of the starting gate.

"Anything can happen when swapped to the Raiders for an they shake those pills," said Smith eighth-round draft choice. The of the draw. "You don't know Browns also sent inside linebacker which one is coming up. You don't sure can get hung up. Wherever

Awaiting the Draw

While most owners and trainers in 1973, had three 1,000-yard sea-resigned themselves to any post position, having come this far at such great expense, there were some who would not leave the in recent years as a pass receiver barn with an unfavorable starting

"We couldn't have a filly run-ning from post position 19," said Perez, who insisted that the granddaughter of 1964 Derby winner Northern Dancer would have skipped the first leg of the Triple Crown if she drew a post wider than No. 11.

After a 14-mile gallop Wednesday, trainer Len Imperio con-firmed that Bill Shoemaker will handie Star Gallant, a small sprinter who may have a problem with the 14-mile Derby distance.

"Bill should fit this horse per-fectly," Imperio said. "With the big field. Shoemaker's experience big field, Snoemaker a corporation will be important. I think my horse is the best. I'm not even worried."

The Field

1, Ri Ma Ro Stable, 2, Len Meyer, 3, Herberi 1, in Award of Stotes, 2, Len Award, 1, Percent, Allen, 4, Mrs. Joe W. Brown, 5, Key West Stoble, 6, John, John Jr. & David Greathouse, 7, Edward Anchel, 8, Live Ook, Plantotion, 9, C.W. Glesser, 18, Horbor Vilew Form, 11, Portkon Stable, 12, J.E. Jumenville, 12, Ross Michael Jr. 14, Etmendorf, 15, Malson Bunker Hunt, 16, Wolfe-Cohen, 17, Buckram Ook Form, 18, 20-28 Stoble, 19, Arthur El-Hancok III & Leone J. Peters, 20, J.D. Marsh, 1, Alfredo Calletos, 2, Jock Von Bers, 3, Eusene Jocobs, 4, Dewey Smith, 5, Junnes, Iselin, 6, George Arnold, 7, Frank Loßocction, 8, Public Keily, 9, Rick Brasher, 18, Stonley Hough, 11, D. Warme, Lukos, 12, John C. Akabry, 13, Roanie Warren, 14, Ron Akahally, 15, Vincent Clyne, 14, Howard M. Tesher, 17, Leonard Imperio, 18, Ron, McAnaliy, 19, Edwin Gregson, 20, Joseph V. Campey. n. 5. Key We

Weights: 126 pounds each with the ex

China Fails to Enter **Taiwan Softball Event** The Associated Press

OKLAHOMA CITY - China is not among the 23 countries that have accepted invitations to the fifth Women's Softball Tournament July 2-11 in Taiwan, according to Don Porter, sercretary-gen-eral of the International Softball Federation.

Taiwan has insisted on the right to raise the nationalist Chinese flag and play the nationalist anthem during the opening ceremonies. China, which has not sent a delegation to Taiwan since the Communist takeover of the mainland in 1949, said it could not field a team if the flag were raised or the anthem played.

in the four-master \$130,000 cham-pionship organized by the Egyp-tian Lawn Tennis Federation. Peter McNamara beat Vitas Geru-laitis, 6-2, 6-3, and was to meet Borg in Friday's final.

REAL ESTATE TO RENT/SHARE

U.S.A.

McRae Drives Royals Past the Red Sox, 8-5

BOSTON - Hal McRae drove in five runs with a homer and a double Wednesday night to lead the Kansas City Royals to an 8-5 ic sets her booking victory over Boston, snapping the showing is a de Red Sox eight-game winning a different mont.

The Royals jumped on the Red Sox starter and loser, John Tudor (3-1), in the first inning. George Brett, playing left field for the first time in his major league career, hit a two-out double. Amos Otis followed with a walk, and McRae hit Tudor's 0-2 pitch off the right-field

BASEBALL ROUNDUP

foul pole for his fourth homer of the season. Dennis Werth and Greg Pryor also had RBI singles in the inning.
Dennis Leonard (2-1) went the

distance for the victory. The Red Sox pulled to 5-2 in the bottom of the inning. Jim Rice's ad me in my things single scored Jerry Remy, who had beich naked liking walked, and Dwight Evans came around on Glenn Hoffman's in-

field out. The Royals made it 8-2 in the i det better villigse siave trade is legasecond inning. Brett reached base ay by Arthur Texas on Remy's error, and Otis singled to precede McRae's two-run douthe ship he hai eke ble. McRae then scored on Frank White's single to left.

Boston scored two more in the

second on RBI doubles by Rick Miller and Gary Allenson, and Dave Stapleton's sacrifice fly.

Yankees 6, Angels 0

In New York, Tommy John (13) pitched a six-hitter for his first victory of the season, and Ken Griffey, Oscar Gamble and Dave Winfield hit consecutive RBI donbles in the third inning, leading New York to a 6-0 triumph over California.

The loss ended the Angels' fourgame winning streak and also marked only the third time in the last 13 games that California pitchers have allowed more than two

Blue Jays 6, Rangers 4 In Toronto, Rance Mulliniks de-

livered a two-run pinch-hit single in the seventh inning to lift Toronto to a 6-4 triumph over Texas and extend the Rangers' losing streak to six games. Jim Clancy (1-2) earned his first victory since last Sept. 19, scattering nine hits over Indians 6, Mariners 1

ln Cleveland, Rick Manning and Jack Perconte knocked in two runs each in a six-run first inning to help Cleveland snap a four-game losing streak with a 6-1 trouncing of Seattle. The Indians chased rookie right-hander Mike Moore (1-3) by sending 10 batters to the plate in the first inning. Brewers 2. White Sox 1

In Milwaukee, Jim Gantner collected two of four his allowed by Britt Burns, and his second single of the game drove in the winning run in the seventh inning as Milwankee edged Chiacgo, 2-1. Ben Oglivie hit his fifth homer of the year for Milwaukee.

Twins 4, Tigers 2

In Minneapolis, Gary Gaetti hit a two-run homer, and Randy Johnson added a bases-empty shot to propel Minnesota to a 4-2 victory over Detroit Pete Redfern (2-2) vielded seven hits in six innings. Ron Davis cleaned up for his sec-ond save. Howard Johnson hit his first major-league homer in the sixth for the Tigers.

A's 6, Orioles 2

Orioles 5, A's 1 In Baltimore, Cliff Johnson hit a

two-run homer and Dwayne Mur-Dodgers Waive Goltz,

Must Pay \$1.5 Million ... United Press International LOS ANGELES - Dave Goltz, who signed a six-year contract worth \$3 million two years ago, as been placed on waivers by the los Angeles Dodgers for the pur-

pose of giving him his uncondiional release. The Dodgers must pay Goltz the ract — for the 1983-84-85 seasons. It is believed to be the largest conract buy-out in baseball history, clipsing the Dodgers' \$1.36-mi-ion payoff to pitcher Don Stan-

phy drove in three runs with a home run and single to back the five-hit pitching of Mike Norris and lift Oakland to a 6-2 triumph over Baltimore in the first game of a doubleheader. In the nightcap, John Lowenstein and Eddie Murray hit home runs in support of Scott McGregor's five-hitter to pace the Orioles to a 5-1 victory.

Cubs 6, Reds 0

cago, Dickie Noles, acquired from Philadelphia with pitcher Dan Larson and catcher Keith Moreland for pitcher Mike Krukow during off season, allowed only a fourth-inning single to Eddie Milner in pitching Chicago to a 6-0 victory over Cincinnati for his first major-league complete game and

In San Francisco, Bill Laskey, who came to the Giants with Rich Gale from Kansas City for Jerry Martin, beat Montreal, 7-0, on three hits in his initial majorleague start. Laskey not only pitched superbly but also recorded is first big-league hit and initial

nals to a 5-4 triumph over Houston. The victory snapped the Car-

California New York

Attivations, Oethris (5).
Detroit 000 001 001—2 9 1
Mianasato 019 300 00x—4 7 0
Petry, Razeno (4), Sesa (7) and Porrish;
Razigern, R.Dovis (7) and Butera, W—Radiern, 21.—Petry, 72, HRS—Detroit, H.Johnson (1),
Attinuscota, R.Johnson (5), Gaetti (4)
NATIONAL, LEAGUE
Houston 100 611 010—4 10 1

Transactions

BASEBALL
American Laugue
ANNESOTA TWINS-Sent Dave Engle,
outfielder, to Totado of the International Laugue.
Called up Randy Bush, designated hitter, from

ASSOCIATION OF THE PARTY OF THE

Connotion Fostball Leasure

CFL—Announced the retirement, effective
Ans. 1, of Gordon Welder, director of
information and media relations.

National Postball Leasure

CLEVELAND BRÜWNS—Traded Lyte
Abode, defensive end, to Cokkend for the
Raiders' eligibit-round pick in the 1922 draft.

Traded Gras Pruitr, running back, to the
Oaklead Raiders for future draft considerations.

DETROIT LIONS—Traded Latiner Bradley,
defensive back, to Houston for the Oilers' 1982
seventin round draft pick.

NEW ENGLAND PATRIOTS—Traded Rod
Shouts, linebocker, to Chicago for the Bears'

Shorts, finebocker, to Chicago for the Sears' fifth-round chaice in next year's druft. NEW ORLEANS SAINTS—Troded their ninth 18th, 11th and 12th-round 1982 druft picks and an

righth-round pick they acculred from Son Francisco to Washinston for the Redskins' ourth-round pick next year.

Metional Hockey Lagger
MONTREAL CANADIENS—Signed Guy
Arbanneau, center, to a two-year centract.

Hic Coost Leasue.
FOOTBALL
Connation Football Leasue

and Sunday. Abdul-Jabbar scored 22 of his

In the National League, at Chi-

Giants 7, Expos 0

Cardinals 5, Astros 4 In St. Louis, David Green's tworun single capped a four-run sixth

dinals' three-game losing streak. St. Louis had managed just one run and three hits off Joe Niekro and trailed, 3-1, entering the sixth. Braves 7, Pirates 6

In Atlanta, shortstop Dale Berra for the Mets, whose last victory at booted Bob Watson's soft grounder with two out in the 10th, allow-

-

Hal McRae

ing the winning run to score from third base and enabling the Braves to snap a five-game losing streak with a-7-6 victory over the Pirates.

Phillies 9, Dodgers 3

In Los Angeles, second baseman Luis Aguayo led off a six-hit, sixrun outburst in the ninth with a double, and Pete Rose went 5-for-5 in leading Philadelphia to a 9-3 victory over Los Angeles. Rose, in singling in his first three at-bats, reached 5,102 total bases, one 5,102 total bases, one ahead of Tris Speaker for eighth place on the all-time list.

Mets 5, Padres 4 In San Diego, Mookie Wilson tripled and scored on a sacrifice fly

by Bob Bailor in the 15th, helping New York snap San Diego's Ilgame winning streak with a 5-4 victory. The decision also broke a

10-game losing streak in San Diego

Wednesday's Ba	seball Line Scores
AMERICAN LEAGUE First Same d	Trevino; Noise and Moreland, W—Noise 3-2 L—Seover-6-1, Monthreal and 900 900—0 J (Son Francisco 900 361 30x—7 14 (Guillectson, Lee (S), James (7), Frymon (8) and Blockwell: Laskey and Ronsom. W—Laskey, 1-0. L—Guillectson, 1-1, Pittsburgh 965 000 901 0—6 13 3 Affanta 989 182 000 1—7 10 (Solomon, Maskes (6), Scarry (8), Telcuive (10) and T.Pesta, Nicoscia (10): Telcuive (10) and Benedict, W—Cante, 4-1, L—Scarry, 1-) HRS—Attanto, Washington (1), Marphy (5), Horner (5).
no. Donale (7) and Gardham: Classo.	New York . 030 021 000 685 001-5 13 4

New York 910 621 009 690 601—5 13 4 Sm Diene 92 198 600 609 600 600 600 61 Ra_lones. Swan (5), Allen (9), Pelcone (11) and Shearns; Montefuece. Boans (6), Delson (6), Chiffer (10), Luces (12) and Kermedy. W — Polcone, 2-0. L—Luces, 8-1, HR—New York. Besten 221 000 000-5 9 1 Loricari and Wethern Tuder, Burgmaeler (2), Leorical, Aponde (9) and Allerson, W-Leonord, 2-1, L-Tuder, 3-1, HR-Acares City, McRee (4), Scottie 000 01 000-1 4 1 Cleveland 600 000 000-6 9 0 ALMoore, B.Clark (1), Anderson (8) and Esslem; Barrier, Brennan (8) and Hossey, W-Borter, 3-1, L-M.Moore, 1-1, College, 000 000 000-6 4 2

Steams (2),
Philodelphia 900 905-9-16
Los Angeles 91, 122 900-3-12
Krutow, Read (7), L.yle (8), Pormer (8) on
Diaz; Welch, Miedenfuer (8), \$Liowe (8)
Steward (9), A.Pano (9) and Scioscia, Yeoper (9)
W—Former, 1-1, L.—S.Howe, 1-1.

Major League Standings

Triedo.

National Langue
CHICAGO CUBS—Recatled Hector Cruz.
outfielder. from lowe of the American
Association. Sent Herman Segetics, pincher, to
Cokloned
Minnesota
Tracked Lea 14 6 780 --10 7 588 2½ 10 7 586 2½

> NHL Playoffs CONFERENCE FINALS

WALES CONFERENCE M.Y. tslanders vs. Quebec tslanders lend series, 1-4) x-May 6 — Quebec at N.Y. Islanders x-May 8 — N.Y. Islanders of Quebec x-May 11 — Quebec at N.Y. Islanders CAMPBELL, CONFERENCE
Chicago vs. Vancouver
Vancouver loads series, 1-8)
Apr. 27 — Vancouver 2, Chicago 1 (2 01) Apr. 29 — Vancouver at Chicage May 1 — Chicago at Vancouver May 4 — Chicago at Vancouver x-May 6 — Vancouver at Chicago

challenged. play the last game of the eight-nation tournament. A win or a tie for Czechoslovakia would put them in second place ahead of Canada. The Soviet Union already clinched its 18th title, while Sweden remains in fourth place.

gleson, director of the NHL Players Association, has announced that the next Canada Cup Hockey Tournament will be staged in September, 1984, in a series of Canadian cities.

bility.

Eagleson said details would be settled at the summer congress of the International Ice Hockey Federation in Nice.

Baseball Leaders

NATIONAL LEAGUE

κ,		G	AB	R	н	Pct.		
_	Woods, Chicago	12	42	6	17	A05		
2	Landreaux, L.A.	19	76	17	29	382		
1	Green, St. Louis	19	37	4	14	.378		
d	Gerdenhre, N.Y.	18	49	7	18	367		
ы,	Moreland, Chicago	19	77	,	26	.366		
71.	Lazcono, Son Diego	17	42	13	24	353		
	J. Thompson, Pittsburgh	16	63	14	22	349		
	May S.F.	12	38	4	13	342		
	Ru. Janes San Dieso	14	44	16	15	30		
	Concencion, Cincinnati	18	49		23	332		
	Morgon S.F.	14	48	ò	16	.333		
	Home	2m	4					
	Kingman, NewYork			. 1	Then	nesn.		
	Pittsburgh, 4; Morekmo			o. 5:	Ho	mer.		
	Atlanta, 5; Murphy, Affar							

Nurphy, Allanta, 20; J. Thompson. Pittsburgh, 18; Kingman, New York, 17; Lazcona, San Diego, 14; Marwland, Chicago, 15; Byckner, Chicago, 15; nz. St. Louis. 15.

Anseles, 3-0, 1900; Show, Sci Dieso, 3-8, 1900; Reardon, Montreal, 2-8, 1,000; Falcons, NewYerk, 2-0, 1,000; Telculve, Pithsburgh, 2-8, 1,000; Mchier, Atlanto, 2-8, 1,000; Chiller, San AMERICAN LEAGUE

E. Morray, Baltimore Conner, Milwoukee Iora, Toronto Herrah, Clevatord R. Johnson, Minnesota Yount, Milwoukee Cabell, Detroit Thornton, Cleveland Martin, M.

Runs Betted in Hrbeis, Minnesola, 20: Optivie. Minnesolae, 18: Thermon, Cleveland, 17; E. Murray, Ballimore

Priching (2 Decisions)
Hayt, Chicago, 44, 1,000; Zahn, California, 34, 1,000; F. Barmister, Seattle, 34, 1,000; Caudill, Seattle, 34, 1,000; Aparta, Baston, 24, 1,000; Aforton, New York, 24, 1,000; Sanchaz, California, 24, 1,000; Witt, California, 24, 1,000; Wittiams, Minneseta, 24, 1,000; Derwin, Yesse, 24, 1,000;

Dodgers Acquire Morales The Associated Press

dez to the Baltimore Orioles for hits as the leading active pinchhitter in the major leagues.

whether the tribunal's ruling could be overturned. Compromise suggestions includ-The tribunal decision was

Prix by most independent teams and possible immediate new safety CASABLANCA, Morocco The toughest problems of the Grand Prix racing crisis went unmeasures for the cars.

anv time.'

in April," he said.

Ecclestone contested the

disqualification of his driver, Nel-

son Piquet, from winning the Bra-zilian Grand Prix. "You can't

make a new rule and then say -

you're under arrest because you

broke a law in March we invented

Balestre's Argument

stone's Brabham racer and the sec-

ond placed Williams of Keke Ros-

berg were underweight because

they topped up excessively with oil

and water after the race to make

empowered to knock out many

other cars using the same system

because they were not officially

The committee will hear an ar-

nument from the chairman of

the last week. He had backed a

challenge to the tribunal, but Wednesday pledged to uphold its

FOCA teams say they were le-

gally using a loophole to build lighter cars to stay competitive with the more powerful turbo-en-gined cars of Renault and Ferrari,

which initiated the tribunal hear-

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But the tribunal said it was not

the minimum legal weight.

The tribunal ruled that Eccle-

"wrong, wrong, wrong, and it just has to be changed," Bernard Eccleof compromise in the air. The Executive Committee of the stone, president of the Formula International Auto Sports Federa-One Constructors Association of tion opened debate on the validity independent racing teams, said be-fore the meeting opened. "We say the tribunal made a new rule, and of a recent decision by the sports's highest court of appeal. It also was tackling the subsequent boycott of last Sunday's San Marino Grand it's is not empowered to do so. If it is upheld, there could be new rules

der discussion Thursday with hints

Canadians Beat Swedes in Hockey United Press International

HELSINKI — Wayne Gretzky shot three goals and claimed two assists as Team Canada beat Sweden, 6-0, Thursday to keep the Canadian hopes alive for a silver medal in the World Hockey Cham-This is the best Canadian team

have seen in years," said the Swedish coach, Anders Parmstrom. It was a fair and clean game. Our boys were mentally and physically tired after nine games and could not shake the Canadians this time."

Later Thursday the Soviet Union and Czechoslovakia were to

HELSINKI (UPI) - Alan Ea-

"The concept will be the same," Eagleson said. "The top four European countries of the 1983 world championships will be invited, along with the United States and Canada. "There will be a single round robin. No decision has been made yet as to the finals. A best of three final series would be a possi-

Pitching (2 Dec

LOS ANGELES — The Los Angeles Dodgers have traded minor league third baseman Leo Hernanpinch-hitter José Morales. In his eight major league season, Morales, 37, has 99 career pinch-

French auto racing, Jean-Marie Balestre, who is also president of tional Football League teams. FISA, that they should all be elim-Earlier, Lyle Alzado was Under his FISA hat Balestre changed his public position over

Broncos for a sixth-round pick. trades were made as part of a decision to go with younger players. Pruitt, a second-round draft choice sons. Though a serious knee injury in 1979 nearly destroyed his ability as a rusher, he won several games

of the turbo-engine teams.

slow their cornering speeds.

He failed to get a majority for

dures to get changes in he cars to

Observers said that Wednesday

to sort out in committee by Sep-

Raiders Get Pruitt

From the Browns

CLEVELAND - The Cleveland

Haited Press Inte

Robert L. Jackson to the Denver want to be too far outside or Coach Sam Rutigliano said the they put us, we've got to go."

Borg Winning in Egypt United Press Internation CAÍRO — Björn Borg beat Ismail El-Shafei, 6-4, 6-2, Thursday.

ing. There were varying views		a pass receiver i		unfavorable starting))
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Paging Kissinger

Observer

By Russell Baker

NEW YORK — Nobody knows how to get on with it any-more. Henry Kissinger, for caample. For years people have been calling Kissinger "brilliant," and maybe he is, but if so why does his latest book of memoirs run on for

If you're brilliant you ought to be able to get on

with it, shouldn't you? I don't call 1,283 pages getting on with it. especially since covers only a Kissinger's book year and a half of his career. His first volume, cov-

Baker

ering four years. and there are more years to come. Many more,

Nowadays though, people don't apologize for being unable to turn themselves off. Inflicting tedium is the modern habit and, brilliant or not, Kissinger has been infected with it. Gibbon's "Decline and Fall of the Roman Empire" is my idea of a truly monumental book. genuine soul crusher not to be undertaken until you have a year or two with nothing else to do. Checking my edition, I find that Gibbon covered more than 1,000 years of territory in 1,170 pages, or 113 fewer pages than it takes Kiss-

inger to cover a year and a half.
I doubt there are a hundred people in the whole country right now who are reading "The Decline and Fall of the Roman Empire." and why should there be? There are only 24 hours in the day. Yet the book shops on Fifth Avenue are stocking the Kissinger memoir in warehouse lots, and it is selling by

Are all these buyers really going to read it? The new idea is that if it doesn't

take forever it can't be much good. The old notion that brevity is the essence of wit has succumbed to the modern idea that tedium is the essence of quality.

When television films a book it

goes on and on until the audience is too groggy to beg for mercy. Not long ago we had the TV version of "Brideshead Revisited." a very good small book which could be

read in two evenings.

It's the sort of book David O.

two-hour movie, on the humane assumption that life was too short to expect audiences to spend two nights of it in the Bijou watching a small show. On television it ran 12 hours and was drawn out over 11 weekly installments.

If Selznick had produced "Gone With the Wind" at this pace, you would have had to sit in the Bijou from the time Hitler invaded Poland until the election of Lyndon Johnson to see it all. It was considered remarkable that Selznick actually let it run 3 hours and 45 minutes, since few Americans were thought sufficiently torpid to spend that much of their lives on a

You keep hearing how life is so much fuller and more complicated than it used to be and how nobody has enough time to keep up with i these days. If so, why do network news shows take 30 minutes every night to broadcast a collection of headlines we could absorb by scanning a front page in 20 seconds? For the same reason Kissinger takes 1,283 pages to deal with material Gibbon would have disposed of in three pages. Because nobody knows how to get on with it anymore, that's why.

single film.

One of the worst cases is the government's war division. Can you imagine any government of the present age getting itself in shape to win the Battle of Midway six months after Pearl Harbor and to land an army of invasion in North

Africa five months later? Nowadays, I suspect, we'd need at least a year just to decide how big a tax break to give corporations for converting to ship and tank construction, and another five years to find out why the ships

and tanks weren't quite ready yet. Meanwhile of course the government would be scolding the public for impatience, and reminding it that Rome was not built in a day and telling it to remain hard-nosed toward the enemy, and show plenty of will, and be prepared for

great lests of endurance I think the Japanese would set up shop in Detroit 40 years ahead of schedule. I think when Kiss-inger took 1.283 pages to Mitsu-bishi, Little & Brown, they would tell him, "Sorry, Professor, but we have never been interested in gas guzzlers."

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By Meg Bortin

DARIS - In a few days "Raymond" will re-enter Fresnes prison in the suburbs of Paris, to retrace the steps that led him, as an intelligence operative for the Belgian underground during World War II, on multiple missions across Spain, France and agents until his capture by the Nazis in 1943. Belgium. He headed a network of 1,750

"I was condemned to die five times," said "Raymond," who has since resumed his original identity as Gaston Vandermeerssche. "This is my second life."

Today, Vandermeerssche, is a successful scientist and businessman living in the United States who was appointed honorary French consul to Milwaukee last fall. France awarded him two Croix de Guerre medals for his services during the war.

He bears little resemblance to the shadowy figure who secretly carried microfilms over the Pyrenees into Spain by night and made weekly runs north to the Dutch border hidden under the backseat of a rickety

His visit to Fresnes, where he was held by the Nazis, comes midway through a two-week odyssey that will take him back to the desolate mountain wilderness near Andorra where he created a clandestine passage route into Spain; to the fortress in Perpignan, near the Spanish border, where he was held for three weeks as the Nazis tried to establish he was "Raymond"; to the Rhone valley near Châlons-sur-Saône, where he first crossed into unoccupied France; to his home town of Ghent, where, just after the outbreak of war, he distributunderground newspapers, and to Haaren, Holland, where he was reported to have been shot at dawn as one of 48 foreign agents found guilty of espionage

against Hitler's Germany.

At Haaren on May 9, Vandermeerssche will be reunited at a ceremony with three dozen former agents; in the Hague on May 10, a date that recurs in Vandermeerssche's life, he will have an audience at Soestdijk Royal Palace with Prince Bernhard of the Netherlands.

Interviewed by telephone at his home in a Milwaukee suburb last week, Vander-meerssche, a genial, resilient man of 60, said he was returning to Europe to recover long-forgotten details for a book he plans

Before the war I had read a book about the Dame Blanche, an intelligence network that worked during World War I. It left a mark on my soul.

"My memory is still sharp. In World War II, I was one of thousands. I owe it to all the other agents to tell this story."

1940 WHEN the war reached Belgi-merssche was 19, a student of physics and mathematics at the University of Ghent. The German invasion caught neutral Belgi-um umprepared, and on May 10, radio messages instructed all men between the ages of 16 and 45 to head to southern

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'Raymond': Retracing His Wartime Spy Trail

gian command.

Gaston and six friends used four bicycles to do the 800-mile journey south three of them riding on the handlebars among a crush of frantic, fleeing civilians. German planes strafed the refugees from

"It was just a debacle," he recalled. "We had no money, no food, nothing to drink." Finishing the journey as freeloaders on freight cars, the seven reached Toulouse. where they were sent to a commandeered castle at nearby L'Isle Arne.

Gaston was put in charge of a platoon of 150 men. He also met the camp commander's daughter, Violette, who became his wife after the war.

A month and a half later, the Germans issued orders for all Belgian and Dutch nationals who had left their homes to return or face penalties against their families.

"They organized trains to take us back to the occupied zones. When we got there, the Germans received us very pleasantly, saying we would be better off with them. They had a good propaganda system, talking of a new order, unifying the world — it sounded perfect."

When he resumed his university studies, Vandermeerssche found that "French was out. English was out and studying German was required." Jews were forced to wear yellow stars, and the first stories of deportation began filtering through. "We began thinking, where's our freedom?"

He toyed with the idea of joining the underground but was alraid to mention it to his family or friends. Fmally, he confidto his family of menos. Finally, he could ed in his mother, who provided cover for him when he went out distributing copies of the clandestine newspaper Libre Bel-gique, stuffing them into mailboxes in defiance of the nighttime currew.

"We faced the death penalty if we were caught with the papers, which was a good thing because it strengthened our nerves for what came later," he said.

By autumn of 1940, Vandermeerssche was seeking passage to England. He never got there. In November, some students were arrested for distributing the papers. A comrade who escaped managed to notify Vandermeerssche's mother of the impending arrests. "I never said goodbye to my father or sister, I just left with a toothbrush," he recalled. After hiding for several days at the home of an elderly aunt, he crossed the French border in a truck, hidden among rolls of textiles.

He spent several months in the Tourcoing-Roubaix region of northern France, working in a cafe and trying to find some-

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France to mobilize under the exiled Bel- With a small group, he finally crossed over through a wooded area near Châlons-sur-Saône, under Nazi guntire.

> Reaching Toulouse, he was sheltered by the owners of the L'Isle Arne castle. He made contact with the Belgian mission now cooperating no longer with Brussels, but with the free government in London. He was made a lieutenant, and was given his first mission: to find a route through the Pyrenees to the Belgian mission in Bar-

He had three weeks to learn Spanish before crossing the border as a Spaniard with a fake safe-conduct pass. "I never had a gun at that time," he recalled. "The principle was, your weapon is your brain.

Under his first assumed name, Pierre Duval he was part of an intelligence network that ran microfilms of military documents from the northern occupied zones to the Belgian embassy in Barcelona for transport to London. He returned with funds and instructions for the network After several months as a courier in the

Pyrenees, Vandermeerssche, who had now adopted the alias Raymond, won his second mission from the Belgian central com-mand: to create lines of evacuation for couriers from various underground networks throughout the occupied zones.

1943 BY MID-1942, Raymond was picked by the Belgian Special Operations Executive at the request of Queen Wilhelmina of the Netherlands, to reorganize the splintered Dutch underground

He directed 1,750 agents in Holland, Belgium, France and Spain in this net-work, codenamed WIM after the queen. In May, 1943, neighbors of a man who was hiding him denounced him to the Germans for trafficking in black market butter. The "butter" was in fact packages of microfilm that Raymond had been checking on the eve of his first furlough to England in three years. Ambushed as he entered his safe house on May 10, 1943, he was not to see freedom again until the end of the war.

The Germans had been seeking Raymond for some time, and at first were sure they had him. But Vandermeerssche succeeded in concealing his identity through three days of beatings and interrogation, three weeks in the filthy fortress-prison at Perpignan and six months in jail in Fresnes. There, his disguise was finally unveiled when a double agent who had known him in the WIM network, but who working in a cafe and trying to find someone to help him reach unoccupied France. also worked for the Gestapo, saw him in a prison hallway and identified him.

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"At that point I had no choice. I sat down with them, and said, 'Okay, I'll tell you everything.' But really, I revealed nothing." Using information he had been to the control of the said of the sai fed by competing German intelligence branches in their attempts to make him talk he managed to convince his captors that he was disclosing information about

the Allied underground. They took him by train to Scheveningen. Holland, where he was questioned for two nights, then taken to a top-security prison at Haaren. Several months later, Vandermeerssche was brought to trial in a highly publicized proceeding with 84 other agents known as the "Nacht und Nebel" (Night

and Fog) prisoners.

More than half of the group was condemned to death, and newspapers carried reports that they had been shot at dawn. But the Germans, according to Vander-meerssche, did not want to kill intelligence chiefs whose knowledge might later prove

A few weeks later, they were moved to Germany in trucks, first to Anrath, then to Lüttringhausen prison in the Ruhr valley. For nearly a year, the region was pounded by Allied bombings every night.

1945 IN MAY, 1945, on the eve of the Allied liberation sweep, the German prison director at Lutting-jhansen received orders from Berlin to kill all the Night and Fog prisoners. Instead the director drew up a list of German crimmals, took them to the woods and used flamethrowers to reduce them to a pile of unidentifiable ashes. According to Vandermeerssche, "He knew we were spies; he did it to save his own neck when the Allies

On May 10, 1945, the U.S. Army liberated the prison. "We were too weak to stand up, but we were alive," said Vandermeerssche. He later discovered that he had been condemned to death five times by different German military courts.

Taken back to Belgium, reunited with his family and Violette, he finished his military service before being named one of three European representatives to tour the United States lecturing on his experiences to raise money for the World Students Ser-vice Fund. Vandermeerssche taught himself English on the boat trip over and stayed seven months, speaking at universities across the United States.

The experience convinced him that he wanted to settle in the United States. He completed a doctorate in physics, married Violette and moved across the Atlantic in 1948. He has worked since then in the United States, France and Belgium as a physics professor, corporate scientist and now as head of his own consulting furn in Milwaukee. Vandermeerssche is still a Belgian citi

zen, although at one time he contemplated U.S. nationality. "I consider myself a citizen of the world," he added. "What counts is freedom, the human element. I have risked my life for this."

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PEOPLE:

Stones to Mix Soccer With European Tour

The Rolling Stones will make a nine-nation European tour that will include performances in Spain during the World Cup soccer finals in June and early July. The tour will begin in Rot-terdam on June 4, after which the group will play in Italy, Sweden,

group will play in France, West Germany, Austria, Britain, Ireland and Spain. We will be in Spain during the World Cup be-

Jagger : cause we must see some football," said singer Mick Jagger. The Stones' two London dates, June 25 and 26, will be at the rarely used Wembley soccer stadium, which can hold 100,000 people.

More than 46,000 well-wishers waving small Japanese flags flocked to the Imperial Palace in flocked to the Imperial Palace in Tokyo Thursday to celebrate the S1st birthday of Emperor Historia, the world's longest reigning monarch. Appearing on a versing with members of the imperial finally, the slight, silver-haned Historia to waved and said, Thank you all for your kind greetings on my birthday. I am happy that so many of you came today. I hope contin-ned happiness for you all." Hironto became emperor on Christmas Day, 1926 at the age of 25 and was formally enthroned two years layer. His 55-year reign is the longest in the history of the 2,600-year Chrysanthemum Throne, and he is the only emperor to have reigned past the age of 80.

Cleo Laine and John Dankworth, currently finishing up an Australian tour, will receive honorary degrees in music from Boston's Berk-lee School of Music on May 15.

Robert Redford pleaded guilty, through a lawyer, to speeding in Bedford N.Y., and was fined \$25. Redford had been on his way to see a man about a horse - he was visiting Paul Newman's horse farm in nearby North Salem, about 30 miles from New York City— when he was cited.

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